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ABSTRACT

This report of House committee hearings on legislation to amend and extend the Higher Education Act of 1965 and other acts dealing with higher education presents testimony of top administrators in all types of colleges and universities, and testimony of various government officials directly concerned with the future of higher education. Prepared statements, letters, and other supplemental materials are also presented. The legislation proposed is specifically related to Federal economic aid to higher education with emphasis on student financial aid, library facilities and personnel, transfer of funds between programs, the extension of community service and continuing education programs, the support of volunteer services programs, and the extension of higher education facilities. (HS)

HIGHER EDUCATION AMENDMENTS OF 1971

ED057754

HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 32, H.R. 5191, H.R. 5192, H.R. 5193, and H.R. 7248

BILLS TO AMEND AND EXTEND THE HIGHER EDUCATION ACT OF 1965 AND OTHER ACTS DEALING WITH HIGHER EDUCATION

PART 1

HEARINGS HELD IN WASHINGTON, D.C.,
MARCH 2, 3, 4, 11, 18, 24, 29, AND 30, 1971

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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HIGHER EDUCATION AMENDMENTS OF 1971

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OF THE
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HIGHER EDUCATION AMENDMENTS OF 1971

TUESDAY, MARCH 2, 1971

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION,
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 2175, Rayburn House Office Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Thompson, Pucinski, Brademas, Scheuer, Chisholm, Hicks, Mazzoli, Quie, Dellenback, Esch, Steiger, Ruth, Veysey, and Peyser.

Committee staff members present: Harry J. Hogan, subcommittee counsel; William Gaul, associate general counsel; and Robert Andringa, minority legislative associate.

(Text of H.R. 32, H.R. 5191, H.R. 5192, H.R. 5193, and H.R. 7248 follows:)

[H.R. 32, 92d Cong., first sess.]

A BILL To amend and extend the Higher Education Act of 1965 and other Acts dealing with higher education

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Comprehensive Higher Education Act of 1971".

TITLE I—STUDENT ASSISTANCE

PART A—EXTENSION AND AMENDMENT OF EDUCATIONAL OPPORTUNITY GRANT PROGRAM

EXTENSION OF PROGRAM

SEC. 101. (a) (1) Section 401(b) of the Higher Education Act of 1965 is amended to read as follows:

"(b) There are hereby authorized to be appropriated $295,000,000 for the fiscal year 1972, $345,000,000 for the fiscal year 1973, $450,000,000 for the fiscal year 1974, $550,000,000 for the fiscal year 1975 and the succeeding fiscal year, to enable the Commissioner to make payments to institutions of higher education that have agreements with him entered into under section 407, for use by such institutions for payment to undergraduate students for educational opportunity grants awarded them under this subpart. In addition there are authorized to be appropriated for the succeeding fiscal years, such sums as may be necessary for payment to such institutions for use by them for making educational opportunity grants to undergraduate students who received such grants for prior fiscal years from funds appropriated under the preceding sentence, to enable them to continue their education. Sums appropriated pursuant to this subsection for any fiscal year shall be available for payment to institutions until the close of the fiscal year succeeding the fiscal year for which they were appropriated."

(b) Section 407(a)(5) of such Act is amended by inserting after "thereof" the following: "and without discrimination against students transferring from other institutions".

(c) The amendments made by this section shall become effective July 1, 1971.

LIMITATIONS ON AMOUNTS OF EDUCATIONAL OPPORTUNITY GRANTS

Sec. 102. Section 402 of the Higher Education Act of 1965 is amended by striking out, in the first sentence, "the lesser of $1,000" and all that follows through the end of the first sentence, and inserting in lieu thereof "$1,000".

REVISION OF STATE ALLOTMENT FORMULA

Sec. 103. (a) Section 405 of the Higher Education Act of 1965 is amended to read as follows:

"ALLOTMENT OF EDUCATIONAL OPPORTUNITY GRANT FUNDS AMONG STATES

"Sec. 405. The Commissioner shall allot funds appropriated pursuant to section 401 among the States in accordance with section 465."

(b) Section 406 of such Act is amended by striking out "pursuant to section 405(a)" in subsection (a) and inserting in lieu thereof "in accordance with section 465(a)", and by striking out "pursuant to section 405(b)" in subsection (b) and inserting in lieu thereof "in accordance with section 465(b)".

(c) The amendments made by this section shall become effective July 1, 1972.

PERIOD OF ELIGIBILITY FOR EDUCATIONAL OPPORTUNITY GRANTS

Sec. 104. Section 403 of the Higher Education Act of 1965 is amended by inserting after the first sentence thereof the following new sentence: "The duration of an educational opportunity grant may, in accordance with regulations of the Commissioner, be extended for up to an additional academic year where five academic years, is the normal period needed to complete the course of study the student is pursuing, or where the student, because of his particular circumstances, is determined by the institution to need an additional year to complete a course of study normally requiring four academic years."

INCLUSION OF PROPRIETARY SCHOOLS

Sec. 105. Effective July 1, 1972, section 409 of the Higher Education Act of 1965 is amended to read as follows:

"DEFINITIONS

"Sec. 409. For the purpose of this subpart—

"(1) The term 'academic year' means an academic year or its equivalent, as defined in regulations of the Commissioner.

"(2) The term 'institution of higher education' includes a proprietary institution of higher education (as defined in section 461 of this Act)."

Part B—Extension and Amendment of Student Loan Insurance Program

EXTENSION OF STUDENT LOAN INSURANCE PROGRAM

Sec. 110. (a) The first sentence of section 424(a) of the Higher Education Act of 1965 is amended to read as follows: "The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $1,600,000,000 for the fiscal year 1972, $1,800,000,000 for the fiscal year 1973, $2,000,000,000 for the fiscal year 1974, $2,200,000,000 for the fiscal year 1975, and $2,400,000,000 for the fiscal year 1976."

(b) The second sentence of such section 424(a) is amended by striking out "1975" and inserting "1980".

(c) Section 428(a)(4) of such Act is amended by striking out "1971" and inserting "1976" and by striking out "1975" and inserting "1980".

(d) Section 433 of such Act is amended by striking out "for the fiscal year ending June 30, 1969, and for each of the two succeeding fiscal years" and inserting "for each fiscal year ending prior to July 1, 1976".

EXTENSION OF AUTHORITY FOR PAYING SPECIAL ALLOWANCES ON INSURED STUDENT LOANS

SEC. 111. Paragraph (7) of section 2(a) of the Emergency Insured Student Loan Act of 1969 (Public Law 91-95) is amended by striking out "1971" and inserting "1973".

AMENDMENTS TO INTEREST SUBSIDY PROVISIONS

SEC. 112. (a) Paragraph (1) of subsection (a) of section 428 of the Higher Education Act of 1965 is amended to read as follows:

"(1) Each student who has received a loan for study at an eligible institution—

"(A) which is insured by the Commissioner under this part;

"(B) which was made under a State student loan program (meeting criteria prescribed by the Commissioner), and which was contracted for, and paid to the student, within the period specified by paragraph (4); or

"(C) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (4), and which—

"(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

"(ii) in the case of a loan insured after June 30, 1967, is insured under a program covered by an agreement made pursuant to subsection (b).

and who has been determined, in accordance with regulations prescribed by the Commissioner for the measurement of financial need of students, to be in need of the amount of such loan in order to pursue a course of study at an eligible institution and has provided the lender with a statement evidencing such determination, shall be entitled to have paid on his behalf and for his account to the holder of the loan, a portion of the interest on the loan. Such determination shall be made, and such statement shall be furnished, by the eligible institution, except that, in the case of eligible institutions located outside the United States, such determination shall be made, and such statement furnished, in such manner as the Commissioner may prescribe. In addition, the Commissioner shall pay an administrative cost allowance in the amount established by paragraph (2)(B) of this subsection with respect to loans to any student without regard to the student's adjusted family income. In the absence of fraud by the lender, such determination of the need of a student under this paragraph shall be final insofar as it concerns the obligation of the Commissioner to pay the holder of a loan a portion of the interest on the loan."

(b) Section 428(b)(1)(H) of such Act is amended to read as follows:

"(H) provides that the benefits of the loan insurance program will not be denied any student because of his family income or lack of need if the institution has furnished the lender with a statement under paragraph (1) of subsection (a) of this section that the student needs a loan to pursue his course of study at that institution;".

INCREASE IN LOAN CEILINGS

SEC. 113. (a) Subsection (a) of section 425 of such Act is amended—

(1) by inserting after "$1,500" the following: ", except in cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education,"

(2) by striking out "$7,500" and inserting in lieu thereof "$10,000".

(b) Clause (A) of section 428(b)(1) of such Act is amended—

(1) by inserting after "$1,500" the following: ", except in those cases where the Commisioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education".

(2) by striking out "$7,500" and inserting in lieu thereof "$10,000".

ALLOWANCES TO INSTITUTIONS FOR THEIR COSTS IN CONNECTION WITH THE INSURED STUDENT LOAN PROGRAM

SEC. 114. Section 428 of the Higher Education Act of 1965 is amended by adding at the end thereof the following:

"(f) The Commissioner may pay to each eligible institution an allowance for each fiscal year which may not exceed 1 per centum of the amount of loans made to students at that institution for that year which are insured (A) by the Commissioner under this part or (B) by a State or nonprofit private loan insurance program (covered at the time the loan was made) by an agreement made under Section 428(b).

TECHNICAL AMENDMENTS

SEC. 115. (a) Section 437 of such Act is amended to read as follows:

"REPAYMENT BY THE COMMISSIONERS OF LOANS OF DECEASED OR DISABLED BORROWERS

SEC. 437. If a student borrower who has received a loan described in clause (A), (B), or (C) of section 428 (a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Commissioner), then the Commissioner shall discharge the borrower's liability on the loan by repaying the amount owed on the loan."

(b) Paragraph (1) of section 428 (b) is amended (1) by striking out "and" at the end of clause (J) thereof, (2) by striking out the period at the end of clause (K) and inserting "; and" in lieu thereof, and (3) by adding at the end of such paragraph the following new clause:

"(L) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid during any period (i) during which the borrower is pursuing a full-time course of study at an eligible institution, (ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under title VII of the Economic Opportunity Act of 1964."

(c) Paragraph (1) of subsection (c) of such section 428 is amended by striking out "adjusted family income of the borrower" and inserting in lieu thereof "the borrower's lack of need".

EFFECTIVE DATES

SEC. 116. (a) The amendments made by sections 112, 113, 114, and 115 of this Act shall not apply with respect to loans made prior to the sixtieth day after the date of enactment of this Act.

(b) The amendments made by such sections shall not be effective with respect to any loan made after the date of enactment of this Act, in whole or in part, to consolidate or convert a loan made or contracted for prior to the effective date of enactment of such sections.

PART C—EXTENSION AND AMENDMENT OF THE WORK-STUDY PROGRAM

SEC. 121. Section 441(b) of such Act is amended to read as follows:

"(b) There are authorized to be appropriated $330,000,000 for the fiscal year 1972, $360,000,000 for the fiscal year 1973, $390,000,000 for the fiscal year 1974, $420,000,000 for the fiscal year 1975, and $450,000,000 for the fiscal year 1976, to carry out this part."

REVISION OF STATE ALLOTMENT FORMULA

SEC. 122. (a) Section 442 of the Higher Education Act of 1965 is amended by redesignating subsection (e) as subsection (b), and by striking out subsections (a), (b), (c), and (d) and inserting in lieu thereof the following:

"SEC. 442. (a) From the sums appropriated to carry out this part, the Commissioner shall reserve the amount provided for in subsection (b) and shall allot the remainder among the States in accordance with section 465."

(b) The amendments made by this section shall become effective July 1, 1972.

PART D—EXTENSION AND AMENDMENT OF COOPERATIVE EDUCATION PROGRAMS

EXTENSION OF PROGRAM

SEC. 131. (a) Section 541(a) of such Act is amended by striking out "There are authorized to be appropriated $340,000 for the fiscal year ending June 30, 1969, $8,000,000 for the fiscal year ending June 30, 1970, and $10,000,000 for the fiscal year ending June 30, 1971," and inserting in lieu thereof "There are authorized to be appropriated $10,000,000 for the fiscal year 1972, $11,000,000 for the fiscal year 1973, $12,000,000 for the fiscal year 1974, $13,000,000 for the fiscal year 1975, and $14,000,000 for the fiscal year 1976.".

(b) The second sentence of such section 451 (a) is repealed.

(c) Section 451(b) of such Act is amended by striking out "the fiscal year ending June 30, 1969, and for each of the two succeeding fiscal years" and inserting in lieu thereof "each fiscal year ending prior to July 1, 1976,".

NEW USE OF FUNDS

SEC. 132. (a) Section 451(b) of the Higher Education Act of 1965 is amended by inserting after "training" the following: ", demonstration,".

(b) Section 453 of such Act is amended by inserting immediately before "or for research" the following: "for projects demonstrating or exploring the feasibility or volume of innovating methods of cooperative education,".

PART E—AMENDMENTS TO GENERAL PROVISIONS

RELATING TO STUDENT ASSISTANCE

FORMULA FOR ALLOTTING STUDENT FINANCIAL ASSISTANCE FUNDS AMONG STATES

SEC. 141. (a) Part E of title IV of the Higher Education Act of 1965 is amended by inserting after section 464 the following new section:

"ALLOTMENT OF FUNDS TO STATES

"SEC. 464, (a) Subject to the provisions of subsection (c) ninety per centum of the sums appropriated for a fiscal year (1) under the first sentence of section 401(b) of this Act, (2) under section 441(b) of this Act (after making the reservation provided for in section 442), or (3) under section 201 of the National Defense Education Act of 1958, for fiscal years ending before July 1, 1975, shall each be allotted by the Commissioner among the States as provided in subsection (b).

"(b) In allotting sums under subsection (c), the Commissioner shall allot not to exceed 2 per centum of each sum being allotted among Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for the assistance for which the sum being allotted was appropriated. The remainder of each such sum shall be allotted as follows:

"(1) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States;

"(2) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of high school graduates (as defined in section 103(d)(3) of the Higher Education Facilities Act of 1963) of such State bears to the total number of such high school graduates of all the States; and

"(3) one-third shall be allotted by him among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of related children under eighteen years of age living in families with annual incomes of less than $3,000 in such State bears to the number of related children under eighteen years of age living in families with annual incomes of less than $3,000 in all the States.

"(c) In the event the allotment to a State for a fiscal year after the fiscal year 1971 from the appropriations described in clause (1), (2), or (3) of subsection (b) is less than the amount so allotted to such State from the amount so appropriated for the fiscal year 1971, such allotment to the State shall be increased to an amount equal its allotment from such appropriation for the fiscal year 1971, and the total of the increases thereby required shall be derived by proportionately reducing the allotments of each of the remaining States, but with such adjustments as may be necessary to prevent the allotment from such appropriation to any State from being thereby reduced below its allotment from such appropriation for the fiscal year 1971.

"(d) The sums remaining after making the allotments provided for in the preceding subsections of this section shall be allotted among the States by the Commissioner in accordance with equitable criteria which he shall establish and which shall be designed to achieve a distribution of the sum being allotted among the States which will most effectively carry out the purpose for which the funds were appropriated. Sums allotted to a State under this subsection shall be consolidated with, and become a part of, its allotment of funds from the same appropriation under the preceding subsections of this section.

"(e) The portion of any State's allotment under subsections (a), (b), (c), and (d) of this section for a fiscal year which the Commissioner determines will not be required in the State for the purpose for which appropriated may be reallotted by the Commissioner from time to time, on such dates as he may fix, to other States in such manner as he determines will best assist in achieving the purpose for which the funds were appropriated.

"(f) For purposes of this section (other than subsection (g)), the term 'State' does not include Puerto Rico, Guam, the Virgin Islands, or the Trust Territory of the Pacific Islands.

"(g) Sums appropriated under the second sentence of section 401(b) of this Act or under section 201 of the National Defense Education Act of 1958 for a fiscal year ending after June 30, 1975, shall be allotted among the States in such manner as the Commissioner determines to be necessary to carry out the purpose for which such amounts were appropriated."

(b) The amendments made by this section shall become effective July 1, 1972.

TRANSFER OF FUNDS BETWEEN PROGRAMS

Sec. 142. (a) Effective with respect to fiscal years ending after June 30, 1971, subpart 1 of Part E of title IV of the Higher Education Act of 1965 is amended by adding at the end thereof (after the section added by section 141) the following new section:

"TRANSFERS BETWEEN PROGRAMS

"Sec. 466. A portion of the allotment of an institution of higher eduction for a fiscal year under section 405 or 442 of this Act, or under section 203 of the National Defense Education Act of 1958, may be transferred to, and used for the purposes of, the institution's allotment under one or both of the other sections, but such transfers shall not increase or reduce any of such allotments by more than 10 per centum."

(b) Section 407(b) of such Act is repealed.

COST OF EDUCATION ALLOWANCES

Sec. 142. (a) Subpart 1 of part E of title IV of the Higher Education Act of 1965 is amended by adding at the end thereof the following new section:

"COST OF EDUCATION ALLOWANCES

"SEC. 466. The Commissioner is authorized to pay an allowance (to be known as a 'cost of education allowance') to institutions which carry on programs for making educational opportunity grants under part A of this title, operating work-study programs under part B of this title, or making student loans from student loan funds assisted under title II of the National Defense Education Act of 1958. The cost of education allowance paid to an institution for a year shall be equal to 20 per centum of the aggregate funds paid that school for the fiscal year 1972 and each succeeding fiscal year from sums appropriated under section 401(b) or 441(b) of this title or section 201 of the National Defense Education Act of 1958 except that, if the funds appropriated for a fiscal year under the last sentence of this section are insufficient to pay in full the amounts to which institutions are entitled under this section for such year, the amount paid to each institution under this section shall be reduced pro rata. Cost of education allowances shall be used by the institution which receives them for providing remedial and other special services for students with academic potential who, by reason of deprived educational, cultural, or economic background, or physical handicap, are in need of such services to assist them to initiate, continue, or resume their postsecondary education. Such remedial and other special services may include, among other things—

"(1) counseling, tutorial, or other educational services, including special summer programs, to remedy such students' academic deficiencies,

"(2) career guidance, placement, or other student personnel services to encourage or facilitate such students' continuance or reentrance in higher education programs, or

"(3) identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education.

There is authorized to be appropriated such sums as may be necessary to enable the Commissioner to make the payments provided for in this section."

INAPPLICABILITY OF TRUTH IN LENDING ACT

SEC. 144. Section 104 of the Truth in Lending Act (15 U.S.C. 1603) is amended by adding the following new paragraph at the end thereof:

"(5) Loans to which title II of the National Defense Education Act of 1958, part B of the title IV of the Higher Education Act of 1965, or part C of title VII or part B of title VIII of the Public Health Service Act are applicable."

PART F—WAREHOUSING

SEC. 151. (a) Part B of title IV of the Higher Education Act of 1965 is amended—

(1) by inserting immediately after the heading for such part the following:

"SUBPART 1—INSURED STUDENT LOANS";

"and

(2) by adding at the end thereof the following new subpart";

"SUBPART 2—WAREHOUSING AND OTHER OPERATIONS TO INCREASE FUNDS AVAILABLE FOR INSURED STUDENT LOANS

"EDUCATION WAREHOUSE LOANS

"SEC. 438. (a) For purposes of this subpart—

"(1) The term 'insured student loan' means a student loan insured (A) by the Commissioner under this part or (B) by a State or nonprofit private loan insurance program covered (at the time the student loan was made) by an agreement made under section 428(b).

"(2) The term 'qualifying insured loan' means an outstanding insured student loan on which repayment of principal has neither been made nor been required to be made under the loan agreement between the lender and the student.

"(3) The term 'education warehouse revolving fund' means the fund established by section 440.

"(b) The Commissioner may make a loan (hereafter in this subpart referred to as 'education warehouse loan') to an eligible lender if the education warehouse loan meets the requirements of subsection (c).

"(c) The requirements with respect to an education warehouse loan are as follows:

"(1) The loan may be made only to an eligible lender (A) who holds qualifying insured student loans, (B) who enters into a loan agreement with the Commissioner, and (C) who issues to the Commissioner, in such form as the Commissioner may prescribe, an instrument (hereafter in this subpart referred to as 'education warehouse certificate') evidencing the loan.

"(2) The loan agreement must contain assurances that the eligible lender to whom the education warehouse loan is made will use the proceeds of the loan for making insured student loans.

"(3) The principal amount of any education warehouse loan made to an eligible lender may not exceed 80 percentum of the outstanding principal amount of the qualifying insured student loans which are held by such lender at the time the loan is made. Such student loans shall be identified in the loan agreement between the Commissioner and the eligible lender.

"(4) The loan agreement shall provide that if one or more insured student loans identified for purposes of paragraph (3) in the education warehouse loan agreement cease to be qualifying insured student loans during any month (or are not held by such lender at the close of such month), then the eligible lender to whom the education warehouse loan is made shall at the close of such month make a report with respect to such insured student loans to the Commissioner, and shall, prior to the end of the succeeding month, either (A) repay a portion of such education warehouse loan equal to 80 per centum of the outstanding principal balance (determined at the beginning of such preceding month) of the insured student loans which ceased to be qualifying insured student loans (or are no longer held), or (B) substitute for purposes of the requirement of paragraph (3) one or more qualified insured student loans the aggregate principal amount of which is not less than the aggregate principal amount of the insured student loans for which they were substituted. Any loan so substituted shall be identified in any amendment to the loan agreement and shall for purposes of applying this paragraph in any month after the month of substitution be considered to be a loan identified in the loan agreement.

"(5) Subject to paragraph (3), the eligible lender must repay the education warehouse loan within five years. An eligible lender may repay an education warehouse loan at any time prior to the expiration of such five-year period.

"(6) An education warehouse loan shall bear interest at a rate prescribed by the Commissioner at the time the loan is made, taking into consideration the yield on education warehouse certificates negotiated, assigned, or sold by the Commissioner under section 439.

"(7) The loan agreement for an education warehouse loan shall include such provisions as the Commissioner determines to be necessary to protect the financial interest of the United States and to promote the purposes of this part. Such agreement shall provide for making such reports in such form and containing such information (including information with respect to insured student loans identified in an education warehouse loan agreement) as the Commissioner may reasonably require to carry out his functions under this section and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

"SECONDARY MARKET OPERATIONS

"SEC. 439. For purposes of obtaining funds to finance his operations under section 438(b) and of establishing a secondary market for education warehouse certificates, the Commissioner (1) may assign, negotiate, or sell (on such terms, and with such recourse to the assets of the education warehouse revolving fund, as he deems appropriate, education warehouse certificates acquired under section 438, and (2) may repurchase or otherwise reacquire such certificates.

"EDUCATION WAREHOUSE REVOLVING FUND; EDUCATION BONDS

"SEC. 440. (a) There is hereby created within the Treasury an education warehouse revolving fund which shall be available to the Commissioner without fiscal year limitation as a revolving fund for the purposes of this subpart.

"(b) The Commissioner is authorized, in order to obtain capital for the fund, to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the average yield to maturity, on the basis of daily closing market bid quotations or prices during the month preceding the issuance of the notes or other obligations, on all outstanding marketable obligations of the United States having a maturity date of five years from any day of such month, and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued under this subsection and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued prior to July 1, 1976, under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. Any securities issued for purposes of this subsection by the Secretary of the Treaury under the Second Liberty Bond Act shall be known as education bonds. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this paragraph. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under this paragraph shall be deposited in the fund and redemption of such notes and obligations shall be made by the Commissioner from such fund. The aggregate principal amount of education bonds issued in a fiscal year may not exceed—

"(1) $250,000,000 for the fiscal year 1972, and

"(2) $500,000,000 for each of the three succeeding fiscal years.

"(c) All amounts received by the Commissioner as interest payments or repayments of principal on education warehouse loans, and any other moneys, property, or assets derived by him from his operations in connection with this subpart shall be deposited in the fund.

"(d) All loans, expenses, and payments pursuant to operations of the Commissioner under this subpart shall be paid from the fund. If at any time the Commissioner determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury."

(b) The amendments made by this section shall take effect on July 1, 1971.

PART G—CONSOLIDATION OF TALENT SEARCH AND UPWARD BOUND PROGRAMS

SEC. 161. Title IV of the Higher Education Act of 1965 is further amended (1) by repealing section 408, and (2) by adding after part F the following new part:

"PART G—IDENTIFYING QUALIFIED LOW-INCOME STUDENTS; PREPARING THEM FOR POSTSECONDARY EDUCATION

"SEC. 491. (a) To assist in achieving the objectives of this part the Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5))—

"(1) to make grants to, or contracts with, institutions of higher education including institutions with vocational and career education programs, combinations of such institutions, public and private nonprofit agencies and organizations (including professional and scholarly associations), and in exceptional cases secondary schools and secondary vocational schools, for planning, developing, or carrying out within the States one or both of the programs described in subsection (c), and

"(2) to make contracts with private agencies and organizations for such purposes.

"(b) The programs described in subsection (c) are designed to enable youths from low-income backgrounds who have academic potential (but may lack adequate secondary school preparation and/or necessary motivation) to enter, or resume a program of postsecondary education.

"(c) The programs referred to in subsections (a) and (b) include—

"(1) talent search programs designed to (A) publicize existing forms of student financial aid, including aid furnished under this title, (B) identify youths described in subsection (b) and encourage them to complete secondary school and to undertake postsecondary education training, (C) encourage youths described in subsection (b) who have dropped out of secondary school or college to reenter educational programs, including programs of postsecondary education; and

"(2) Upward Bound programs designed to (A) generate skills and motivation necessary for success in education beyond high school, and (B) provide other special or supplemental services necessary to achieve the purposes set forth in subsection (b).

"(d) Enrollees who are participating on a substantially full-time basis in one or both programs being provided under subsection (c) may be paid stipends, but not in excess of $30 per month.

"(e) There are authorized to be appropriated to carry out this section $70,000,000 for fiscal year 1972, $80,000,000 for the fiscal year 1973, $100,000,000 for the fiscal year 1974, $125,000,000 for the fiscal year 1975, and $150,700,00 for the fiscal year 1976."

Part H—Extension and Amendment of Title II of the National Defense Education Act of 1958

EXTENSION OF STUDENT LOAN PROGRAM

Sec. 171. The first sentence of section 201 of the National Defense Education Act of 1958 is amended to read as follows: "For the purpose of enabling the Commissioner to stimulate and assist in the establishment at institutions of higher education of funds for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions, there are hereby authorized to be appropriated $425,000,000 for the fiscal year 1972, $475,000,000 for the fiscal year 1973, $575,000,000 for the fiscal year 1974, and $675,000,000 for the fiscal year 1975 and the succeeding fiscal year and there are further authorized to be appropriated such sums for the fiscal year 1977, and each of the next three fiscal years as may be necessary to enable students who have received loans for school years ending prior to July 1, 1976, to continue or complete their education."

REVISION OF STATE-ALLOTMENT FORMULA

Sec. 172. (a) Section 202 of the National Defense Education Act of 1958 is amended to read as follows:

"ALLOTMENTS TO STATES

"Sec. 202. The Commissioner shall allot funds appropriated pursuant to section 201 among the States in accordance with section 465 of the Higher Education Act of 1965."

(b) Section 203 of such Act is amended by striking out the second sentence thereof.

(c) The amendment made by this section shall become effective July 1, 1972.

RAISING LOAN LIMIT

Sec. 173. The first sentence of section 205(a) of the National Defense Education Act of 1958 is amended by striking out "$1,000" and inserting in lieu thereof "$1,500" and by striking out "$5,000" and inserting in lieu thereof "$6,000".

ASSIGNMENT OF LOANS IN DEFAULT TO THE COMMISSIONER

Sec. 174. Effective thirty days after the date of enactment of this Act, section 204 of the National Defense Education Act of 1958 is amended by striking out "and" at the end of paragraph (3), by renumbering paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following new paragraph:

"(4) provide that the institution may assign, without recompense, to the United States all of its rights under any note or written agreement evidencing a loan if the loan has been in default for such period (not less than one hundred and eighty days) as the Commissioner may prescribe, despite due diligence on the part of the institution in attempting to make collection thereon, and the institution believes it to be uncollectable, and any sums collected on such a loan by the Commissioner shall be deposited in the general fund of the Treasury; and".

INCREASE IN MINIMUM RATE OF REPAYMENT

SEC. 175. Section 205(b)(2)(F) of the National Defense Education Act of 1958 is amended by striking out "$15" and inserting "$30".

EFFECTIVE DATE

SEC. 176. The amendments made by this part shall, except as otherwise provided, become effective July 1, 1972.

TITLE II—AMENDMENT AND EXTENSION OF CERTAIN PROVISIONS OF THE HIGHER EDUCATION ACT OF 1965

PART A—EXTENSION OF COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS

SEC. 201. Section 101 of the Higher Education Act of 1965 is amended by inserting after "June 30, 1971" the following: ", and each of the five succeeding fiscal years".

PART B—EXTENSION AND AMENDMENT OF PROGRAMS OF COLLEGE LIBRARY ASSISTANCE AND LIBRARY TRAINING AND RESEARCH

SEC. 211. (a) Section 201 of the Higher Education Act of 1965 is amended by striking out "and" after "1970," and inserting after "1971," the following: "$100,000,000 for the fiscal year ending June 30, 1972, $110,000,000 for the fiscal year ending June 30, 1973, $120,000,000 for the fiscal year ending June 30, 1974, $135,000,000 for the fiscal year ending June 30, 1975, and $150,000,000 for the fiscal year ending June 30, 1976.".

(b) Section 202(a) of such Act is amended by inserting before "and (2)" the following: "except that under special and unusual circumstances the Commissioner is authorized to waive this requirement,".

(c) Section 202(b) of such Act is amended by inserting immediately preceding the semicolon at the end thereof the following: ", except that under special and unusual circumstances the Commissioner is authorized to waive this requirement".

(d) Section 203(a) of such Act is amended by striking out "$10" and inserting in lieu thereof "$20".

(e) Section 204(a)(2) of such Act is amended by striking out "and" immediately preceding "(C)" and inserting before the period at the end of the first sentence the following: ", and (D) to other public and private nonprofit library institutions which provide library and information services to institutions of higher education on a formal, cooperative basis".

(f) Section 221 of such Act is amended to read as follows:

"SEC. 221. Only for the purpose of carrying out training programs under this part, there are authorized to be appropriated $40,000,000 for the fiscal year 1972, $42,500,000 for the fiscal year 1973, $45,000,000 for the fiscal year 1974, $47,500,000 for the fiscal year 1975, and $50,000,000 for the fiscal year 1976. In addition only for the purpose of carrying out research and demonstration programs under this part, there are authorized to be appropriated $5,000,000 for the fiscal year 1972, $10,000,000 for the fiscal year 1973, $20,000,000 for the fiscal year 1974, $35,000,000 for the fiscal year 1975, and $50,000,000 for the fiscal year 1976."

(g) Section 223 of such Act is amended by striking out clause (1) of subsection (a) and inserting in lieu thereof the following: "(1) to assist in covering the cost of short term or regular session institutes for such persons.".

(h) The existing subsection (b) of section 223 of such Act, to be redesignated subsection (c), is further amended by inserting after "institution of higher education" the following: "and other library and educational organizations or agencies".

(i) Section 231 of such Act is amended by striking out so much thereof as precedes "to enable the Commissioner" and inserting in lieu thereof the following: "and $11,000,000 for the fiscal year 1972, $12,500,000 for the fiscal year 1973, $14,000,000 for the fiscal year 1974, $15,000,000 for the fiscal year 1975, and $15,000,000 for the fiscal year 1976,".

(j) The amendments made by this part shall become effective July 1, 1971.

Part C—Extension of Programs To Strengthen Developing Institutions

Sec. 221. Section 301(b)(1) of the Higher Education Act of 1965 is amended by inserting after "June 30, 1971," the following: "and each of the five succeeding fiscal years,".

Amendment of Provisions Relating to Developing Institution

Sec. 222. (a) Section 302(d) of the Higher Education Act of 1965 is amended by inserting before "has met" the following: "if it is an institution which provides an educational program for which it awards a bachelor's degree,".

(b) Section 306 of such Act is amended by striking out "(other than developing institutions)".

Part D—Extension of Programs

EXTENSION OF PROGRAM TO ASSIST INSTITUTIONS IN THE ACQUISITION OF EQUIPMENT

Sec. 231. (a) Section 601(b) of the Higher Education Act of 1965 is amended by striking out "two succeeding fiscal years" and inserting "seven succeeding fiscal years".

(b) Section 601(c) of such Act is amended by striking out "two succeeding fiscal years" and inserting "seven succeeding fiscal years".

EXTENSION OF NETWORKS FOR KNOWLEDGE PROGRAM

Sec. 232. Section 802 of the Higher Education Act of 1965 is amended by inserting after "June 30, 1971" the following: ", and each of the five succeeding fiscal years".

EXTENSION OF PUBLIC SERVICE EDUCATION PROGRAMS

Sec. 233. Section 925 of the Higher Education Act of 1965 is amended by inserting after "June 30, 1971," the following: "and each of the five succeeding fiscal years,".

EXTENSION OF PROGRAMS FOR IMPROVEMENT OF GRADUATE EDUCATION

Sec. 234. Section 1002(a) of the Higher Education Act of 1965 is amended by inserting after "June 30, 1971," the following: "and each of the five succeeding fiscal years,".

EXTENSION OF LAW SCHOOL CLINICAL EXPERIENCE PROGRAM

Sec. 235. Section 1103 of the Higher Education Act of 1965 is amended by striking out "of the fiscal years ending June 30, 1970, and June 30, 1971," and inserting in lieu thereof "fiscal year ending before July 1, 1976".

TITLE III—EXTENSION AND AMENDMENT OF EDUCATION PROFESSIONS DEVELOPMENT ACT

Part A—Amendments to Part A of Title V

EXTENSION OF NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT AND PROGRAM FOR ATTRACTING QUALIFIED PERSONNEL TO THE FIELD OF EDUCATION

Sec. 301. (a) Section 502(f) of the Higher Education Act of 1965 (the Education Professions Development Act) is amended by striking out "three" and inserting "five".

(b) Section 504(b) of such Act is amended by striking out "1971" and inserting "1976".

Part B—Amendments to Subpart 1 of Part B (Teacher Corps)

EXTENSION OF PROGRAM

Sec. 311. Section 511(b) of the Higher Education Act of 1965 is amended (1) by inserting after "June 30, 1971," the following: "and each of the succeeding fiscal years ending prior to July 1, 1976," and (2) by striking out "1972" and inserting "1977".

Part C—Amendments to Subpart 2 of Part B

ATTRACTING AND QUALIFYING TEACHERS TO ALLEVIATE TEACHER SHORTAGES

Sec. 321. Section 518(b) of the Higher Education Act of 1965 is amended by striking out "1971" and inserting "1976".

VOLUNTEER SERVICE PROGRAMS

Sec. 322. Section 518(a) of such Act is amended by striking out "and" before "(2)" and by adding the following before the period: ", (3) encourage volunteers (including high school and college students) for service as part-time tutors or full-time instructional assistants for educationally disadvantaged children, (4) compensate such tutors and instructional assitants at such rates as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported work-study programs, and (5) provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage".

INCREASE IN AMOUNT AVAILABLE FOR ADMINISTRATION

Sec. 323. Section 520(a)(2) of such Act is amended (1) by striking out "and (C)" and inserting in lieu thereof the following: "(C) programs of such to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage, and (D)", (2) by striking out "3" and inserting in lieu thereof "5", and (3) by inserting before the semicolon: ", or $20,000, whichever is greater".

ELIMINATING CEILING ON AMOUNT FOR AIDES

Sec. 324. Section 520(a) of such Act is further amended by striking out paragraph (5) and redesignating paragraphs (6), (7), (8), and (9) as paragraphs (5), (6), (7), and (8) and paragraph (5) thereof (as so redesignated) is amended by inserting after "because he" the following: "is teaching or".

Part D—Amendment to Part C

EXTENSION OF FELLOWSHIP PROGRAM

Sec. 331. Section 528 of the Higher Education Act of 1965 is amended by striking out "1971" each time it appears and inserting "1976".

Part E—Amendments to Part D Improving Training Opportunities for Non-Higher Education Personnel

Sec. 341. Section 532 of the Higher Education Act of 1965 is amended by striking out "and" after "1969," and inserting before the period at the end thereof the following: ", the sum of $180,000,000 for each of the succeeding fiscal years ending prior to July 1, 1976".

SUPPORT OF VOLUNTEER SERVICES PROGRAM

Sec. 342. Section 531(b) of such Act is amended by striking out the period at the end of paragraph (10) and inserting a semicolon, and by adding the following new paragraph at the end thereof:

"(11) programs or projects to encourage volunteers (including high school and college students) for service as part-time tutors or full-time instructional assistants in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children;"

COMPENSATION OF TUTORS AND INSTRUCTIONAL ASSISTANTS

Sec. 343. Section 531(c) of such Act is amended by striking out "or" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting "; or", and by adding the following new paragraph after paragraph (2):

"(3) compensating tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with the prevailing practices under comparable federally supported work-study programs."

DEVELOPING AND STRENGTHENING PROGRAMS FOR THE EDUCATION OF TEACHERS AND RELATED EDUCATIONAL PERSONNEL

Sec. 344. (a) Section(b) of such Act is further amended by adding the following new paragraph at the end thereof:

> "(12) programs or projects (including cooperative arrangements or consortia between institutions of higher education and junior and community colleges, or between such institutions and State or local education agencies and nonprofit education associations) for the development, expansion, or improvement of undergraduate programs for preparing educational personnel, including design, development, and evaluation of exemplary undergraduate training programs, introduction of high quality and more effective curriculums and curricular materials, and the provision of increased opportunities for practicum teaching experience for prospective teachers in elementary and secondary schools."

(b) Paragraph (3) of section 531(b) of such Act is amended by inserting after "personnel" the following: ", and parents of children participating in educational programs, particularly at the preschool level".

(c) Paragraph (9) of such section 531(b) is amended by inserting after "administrators" the following: ", school board members, and selected community leaders".

(d) Section 531(c) of such Act is further amended by adding the following new paragraph at the end thereof:

> "(4) projects or programs to develop, expand, or improve undergraduate and other programs for training educational personnel."

APPLICATION OF PART D TO INDIAN SCHOOLS

Sec. 345. Section 532 of the Higher Education Act of 1965 is amended by inserting "(a)" after "Sec. 532." and by inserting at the end thereof the following new subsection:

"(b) From the sums appropriated pursuant to subsection (a), the Commissioner may also make payments to the Secretary of the Interior to carry out the policy of this part with respect to persons preparing to serve as teachers of individuals on reservations serviced by elementary and secondary schools for Indian children operated or funded by the Department of the Interior. The terms upon which payments for that purpose may be made to the Secretary of the Interior shall be determined pursuant to such criteria as the Commissioner determines will best carry out the policy of this part.".

Part F—Amendments to Part E Programs of Training for Higher Education Personnel

EXTENSION OF HIGHER EDUCATION PERSONNEL DEVELOPMENT

Sec. 361. Section 543 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $36,000,000," and inserting the following after "July 1, 1971": ", and the sum of $90,000,000 for each of the succeeding fiscal years ending prior to July 1, 1976".

Part G—Training and Development of Vocational Education Personnel

Sec. 371. Section 555 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $45,000,000" and inserting the following after "June 30, 1972": ", and the four succeeding fiscal years".

TITLE IV—HIGHER EDUCATION FACILITIES

Part A—Extension of Higher Education Facilities Act of 1963

EXTENSION OF UNDERGRADUATE FACILITIES CONSTRUCTION GRANT PROGRAM

Sec. 401. (a) Section 101(b) of the Higher Education Facilities Act of 1963 is amended (1) by striking out "1971" and inserting "1967", and (2) by striking out the second sentence thereof.

(b) Section 105(b) of such Act is amended by striking out "four succeeding" and inserting in lieu thereof "nine succeeding".

EXTENSION OF GRADUATE FACILITIES CONSTRUCTION GRANT PROGRAM

Sec. 402. Section 201 of the Higher Education Facilities Act of 1963 is amended (1) by striking out "1971" and inserting "1976", and (2) by striking the second sentence thereof.

EXTENSION OF CONSTRUCTION LOANS AND ANNUAL INTEREST GRANT PROGRAMS

Sec. 403. (a) Section 303(c) of the Higher Education Facilities Act of 1963 is amended (1) by striking out "1971" and inserting "1976", and (2) by striking out the third sentence thereof.

(b) Section 306(c)(2) of such Act is amended to read as follows:

"(2) Contracts for annual interest grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts, and no such contract shall be entered into after June 30, 1976."

EFFECTIVE DATE

Sec. 404. The amendments made by this part shall become effective July 1, 1971.

Part B—Mortgage Insurance for Academic Facilities

Sec. 411. (a) Title III of the Higher Education Facilities Act of 1963 is amended by adding at the end thereof the following new section:

"MORTGAGE INSURANCE FOR ACADEMIC FACILITIES

"Sec. 307. (a) It is the purpose of this section to assist and encourage the provision of urgently needed academic facilities for private nonprofit institutions of higher education.

"(b) For the purposes of this section the terms 'mortgage', 'mortgagor', 'mortgagee', 'maturity date', and 'State' shall have the meanings respectively set forth in section 207 of the National Housing Act.

"(c) The Secretary of Health, Education, and Welfare (hereinafter referred to as the 'Secretary') is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers an academic facility of a private nonprofit institution of higher education, including equipment to be used in its operation, with respect to which he has made a contract under section 306, subject to the following conditions:

"(1) The Secretary may in his discretion require the mortgagor to be regulated or restricted as to minimum charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with, and acquire for not to exceed $100 such stock or interest in, such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the Higher Education Facilities Insurance Fund (established by subsection (h)), and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the academic facility, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum on the principal obligation outstanding at any time as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has also received from the State commission a certificate that the facility is consistent with and will not hinder the execution of the State plan provided for under title I of this Act.

"(e) The Secretary shall fix and collect premium charges for the insurance and mortgages under this section which shall be payable annually in advance by the mortgagee, either in cash or in debentures of the Higher Education Facilities Insurance Fund (established by subsection (h)) issued at par plus accrued interest. In the case of any mortgage such charge shall not be less than an amount equivalent to one-fourth of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any one time, without taking into account delinquent payments or prepayments. In addition to the premium charge herein provided for, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction; but such charges for appraisal and inspection shall not aggregate more than 1 per centum of the original principal face amount of the mortgage.

"(f) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(g)(1) The Secretary shall have the same functions, powers, and duties (insofar as applicable) with respect to the insurance of mortgages under this section as the Secretary of Housing and Urban Development has with respect to the insurance of mortgages under other provisions of title II of the National Housing Act.

"(2) The provision of subsections (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 of the National Housing Act shall apply to mortgages insured under this section; except that, with respect to such mortgages, all references in such provisions to section 207 shall be deemed to refer to this section, all references in such provisions to the General Insurance Fund shall be deemed to refer to the Higher Education Facilities Insurance Fund and all references in such provisions to 'Secretary' shall be deemed to refer to the Secretary of Health, Education, and Welfare.

"(h)(1) There is hereby created a Higher Education Facilities Insurance Fund which shall be used by the Secretary as a revolving fund for carrying out all the insurance provisions of this section. All mortgages insured under this section shall be insured under and be the obligation of the Higher Education Facilities Insurance Fund.

"(2) The general expenses of the operations of the Department of Health, Education, and Welfare relating to mortgages insured under this section may be charged to the Higher Education Facilities Insurance Fund.

"(3) Moneys in the Higher Education Facilities Insurance Fund not needed for the current operations of the Department of Health, Education, and Welfare with respect to mortgages insured under this section shall be deposited with the Treasurer of the United States to the credit of such fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued as obligations of the Higher Education Facilities Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

TITLE V—EXTENSION OR AMENDMENT OF CERTAIN OTHER PROVISIONS OF LAW

EXTENSION OF TITLE III OF NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 501. (a) Section 301 of the National Defense Education Act of 1958 is amended by inserting after "June 30, 1971" the following: "and each of the five succeeding fiscal years", and by striking out "July 1, 1971" and inserting "July 1, 1976".

(b) Section 311 of such Act is amended to read as follows:

"APPROPRIATIONS AUTHORIZED

"SEC. 311. There are authorized to be appropriated, for carrying out this part, $160,000,000 for the fiscal year 1971 and each of the succeeding fiscal years ending prior to July 1, 1976."

EXTENSION OF TITLE IV OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 502. (a) The first sentence of section 402(a) of the National Defense Education Act of 1958 is amended by striking out "seven succeeding fiscal years" and inserting in lieu thereof "eleven succeeding fiscal years".

(b) Section 403(a) of such Act is amended by striking out "eight".

EXTENSION OF TITLE VI OF NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 503. (a) Subsection (a) and subsection (b) of section 601 of the National Defense Education Act of 1958 are each amended by striking out "1971" and inserting "1976".

(b) Section 603 of such Act is amended by inserting after "1971," the following: ", and the five succeeding fiscal years,".

EXTENSION OF THE INTERNATIONAL EDUCATION ACT OF 1966

SEC. 504. Section 105(a) of the International Education Act of 1966 is amended by striking out "1971" and inserting "1976".

WAIVER OF MATCHING REQUIREMENT IN CERTAIN CASES

SEC. 505. Part A of the General Education Provisions Act is amended by adding at the end thereof the following:

"MODIFICATIONS OF MATCHING REQUIREMENTS

"SEC. 407. Where a provision of law relating to an applicable program limits the amount of Federal assistance which may be made available for carrying out the program to a specified portion of the cost thereof or requires a specified non-Federal contribution with respect to the program, the Commissioner may approve assistance to institutions of higher education (as defined in section 1201(a) of the Higher Education Act of 1965) for such program in excess of the portion so specified, or a lesser non-Federal contribution than that so specified, if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of such applicable program."

TITLE VI—PROHIBITION OF CERTAIN DISCRIMINATION

PART A—AMENDMENT OF PART C OF CIVIL RIGHTS ACT OF 1957

PROBITION OF DISCRIMINATION

SEC. 601. Paragraph (1) of subsection (a) of section 104 of the Civil Rights Act of 1957 (42 U.S.C. 1975c (a)) is amended by inserting immediately after "religion," the following: "sex,", and paragraphs (2), (3), and (4) of subsection (a) of such section 104 are each amended by inserting immediately after "religion" the following: ", sex,".

PART B—AMENDMENT TO FAIR LABOR STANDARDS

SEC. 611. Section 13(a) of the Fair Labor Standards Act of 1938 is amended by the insertion after the words "the provisions of section 6" of the following language "(except section 6(d) in the case of paragraph (1))."

TITLE VII—CONSTITUTING THE COLLEGE OF THE VIRGIN ISLANDS AND THE UNIVERSITY OF GUAM AS LAND-GRANT COLLEGES

SEC. 701. The College of the Virgin Islands and the University of Guam shall be considered land-grant colleges established for the benefit of agriculture and mechanic arts in accordance with the provisions of the Act of July 2, 1862, as amended (12 Stat. 503; 7 U.S.C. 301–305, 307, 308).

SEC. 702. In lieu of extending to the Virgin Islands and Guam those provisions of the Act of July 2, 1862, as amended, referred to above, relating to donations of public land or land script for the endowment and maintenance of colleges for the benefit of agriculture and the mechanic arts, there is authorized to be appropriated to both the Virgin Islands and Guam the sum of $3,000,000 each. Amounts appropriated under this section shall be held and considered to have been granted to the Virgin Islands and Guam subject to the provisions of that Act applicable to the proceeds from the sale of land or land script.

SEC. 703. The Act of August 30, 1890, as amended (26 Stat. 417; 7 U.S.C. 322–326), is further amended—

(1) by striking the words "and Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(3) by striking the words "or Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam";

(4) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam"; and

(5) by striking the words "or Territorial" where they appear.

SEC. 704. Section 22 of the Act of June 29, 1935, as amended (49 Stat. 439; 7 U.S.C. 329), is further amended—

(1) by striking the words "and Puerto Rico" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the figure "$7,800,000" and substituting in lieu thereof the figure "$8,100,000"; and

(3) by striking the figure "$4,320,000" and substituting in lieu thereof the figure "$4,360,000".

SEC. 705. The Act of March 4, 1940 (54 Stat. 39; 7 U.S.C. 331) is amended—

(1) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam"; and

(3) by striking the word "State" wherever it appears in the third proviso of that Act and substituting in lieu thereof the words "State, Puerto Rico, the Virgin Islands, or Guam".

SEC. 706. Section 207 of the Agricultural Marketing Act of 1946 (60 Stat. 1091; 7 U.S.C. 1626), is amended by striking the period at the end of the section and adding the following words: ", and the term 'State' when used in this chapter shall include the Virgin Islands and Guam."

SEC. 707. Section 3 of the Act of May 8, 1914, as amended (38 Stat. 373; 7 U.S.C. 343), is further amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 each, which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

SEC. 708. Section 10 of the Act of May 8, 1914, as amended, is amended by striking the words "and Puerto Rico" and inserting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam".

SEC. 709. Section 4 of the Act of October 10, 1962 (76 Stat. 806, 16 U.S.C. 582a-3), is amended by striking the period at the end of the first sentence thereof and adding the following language: ", except that for the fiscal years ending June 30, 1971, and June 30, 1972, the matching funds requirement hereof shall not be applicable to the Virgin Islands and Guam, and sums authorized for such years for the Virgin Islands and Guam may be used to pay the total cost of programs for forestry research."

SEC. 710. Section 8 of the Act of October 10, 1962 (76 Stat. 807; 16 U.S.C. 582a-7), is amended by striking the period at the end thereof and adding the words ", the Virgin Islands and Guam.".

SEC. 711. Section 1 of the Act of August 11, 1955 (7 U.S.C. 361a-361i), is amended by striking the period after the second sentence and adding the words, "Guam and Virgin Islands," and deleting "and" between the words "Hawaii and Puerto Rico."

SEC. 712. Section 3 of the Act of August 11, 1955 (7 U.S.C. 361a-361i), is amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 each, which sums shall be in addition to sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

SEC. 713. With respect to the Virgin Islands and Guam, the enactment of this title shall be deemed to satisfy any requirement of State consent contained in laws or provisions of law referred to in this title.

[H.R. 5191, 92d Cong. first sess.]

A BILL To extend and amend the Higher Education Act of 1965, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Opportunity Act of 1971".

TITLE I—AMENDMENTS TO TITLE I OF THE HIGHER EDUCATION ACT (COMMUNITY SERVICE AND CONTINUING EDUCATION)

EXTENSION OF PROGRAM

SEC. 101. Section 101 of title I of the Higher Education Act of 1965 is amended by striking out "and" before "$60,000,000" and by adding ", and such sums as may be necessary for each of the next two fiscal years" immediately following "June 30, 1971".

EFFECTIVE DATE

SEC. 102. The amendments made by section 101 shall be effective July 1, 1971.

TITLE II—AMENDMENTS TO TITLE II OF THE HIGHER EDUCATION ACT (COLLEGE LIBRARY ASSISTANCE)

EXTENSION OF PROGRAM

SEC. 201. (a) Section 201 of the Higher Education Act of 1965 is amended by striking out "and" before "$90,000,000" and inserting the following after "June 30, 1971,": "and such sums as may be necessary for each of the next two fiscal years,".

(b) Such section is further amended by inserting the following after "institutions of higher education": "(particularly developing institutions as defined in title III and community colleges)".

INCREASE IN PERCENTAGE OF FUNDS TO BE USED FOR SPECIAL PURPOSE AND SUPPLEMENTAL GRANTS

SEC. 202 (a) Section 202 of such Act is amended—

(1) by striking out "75 per centum" and inserting in lieu thereof "50 per centum"; and

(2) by adding "and" after the semicolon at the end of paragraph (b); by striking out paragraphs (c) and (d); and by inserting in lieu thereof the following:

"(c) meets the requirements of section 811.".

(b) Section 203 of such Act is amended by striking out "75 per centum" and inserting in lieu thereof "50 per centum".

(c) Section 204(a) of such Act is amended—

(1) by striking out "Twenty-five per centum" in paragraph (1) and inserting in lieu thereof "Fifty per centum"; and

(2) by striking out "sixty per centum" in paragraph (2) and inserting in lieu thereof "eighty per centum".

REPEAL OF RESEARCH PROVISION

SEC. 203. Title II of the Higher Education Act of 1965 is amended by striking out section 224.

EXTENSION OF TRAINING PROVISION AND TRANSFER TO EDUCATIONAL PROFESSIONS DEVELOPMENT ACT

SEC. 204. (a) Such title II is further amended by—

(1) striking out the heading "PART B—LIBRARY TRAINING AND RESEARCH" and inserting in lieu thereof "PART G—LIBRARY TRAINING";

(2) striking out section 225;

(3) transferring sections 221 through 223, with the headings therefor as so amended, to title V of such Act and inserting such sections with such headings immediately after part F of such title; and

(4) redesignating sections 221 through 223, as so transferred, as sections 561 through 563, respectively.

(b) Section 561, as so redesignated, is amended by striking out "and" before "$38,000,000" and inserting "and such sums as may be necessary for each of the next five fiscal years" immediately after "June 30, 1971,".

REPEAL OF LIBRARY OF CONGRESS PROVISION

SEC. 205. Title II of such Act is further amended by striking out part C thereof.

CHANGE OF HEADINGS

SEC. 206 The heading of title II of such Act is amended to read "ACADEMIC LIBRARY ASSISTANCE" and the heading "PART A—COLLEGE LIBRARY RESOURCES" is repealed.

EFFECTIVE DATE

SEC. 207. The amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE III—AMENDMENTS TO TITLE III OF HIGHER EDUCATION ACT (STRENGTHENING DEVELOPING INSTITUTIONS)

EXTENSION OF PROGRAM

SEC. 301. Section 301(b) of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $91,000,000" and inserting the following immediately after "June 30, 1971,": "and such sums as may be necessary for each of the next five fiscal years,".

MISCELLANEOUS AMENDMENTS

SEC. 302. (a) Title III of such Act is further amended (A) by inserting "and" 'at the end of paragraph (1) of section 304(b); (B) by striking out paragraphs (3) and (4) of such section; and (C) by amending paragraph (2) thereof to read as follows:

"(2) meets the requirements of section 811.".

(b) Such title is further amended (A) by inserting "if it is an institution which provides an educational program for which it awards a bachelor's degree" immediately before the semicolon in section 302(d) and (B) by striking out "(other than developing institutions)" in section 306.

EFFECTIVE DATE

SEC. 303. The amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE IV—AMENDMENTS TO TITLE IV OF HIGHER EDUCATION ACT (STUDENT ASSISTANCE)

PART A—NEW PROGRAMS FOR PROVISION OF FINANCIAL ASSISTANCE TO STUDENTS

SEC. 401. Title IV of the Higher Education Act of 1965 is amended in the following respects—

(a) part C (dealing with work-study programs) is repealed;

(b) part B (dealing with student loan insurance) is redesignated as part C;

(c) part E (containing general provisions) and F (containing amendments to the National Defense Education Act) are redesignated as parts F and G, respectively;

(d) section 463 (dealing with payments for administrative expenses) is repealed and sections 461, 462, 464, and 469 are redesignated as sections 471, 472, 473, and 474, respectively:

(e) section 473, as so redesignated (dealing with maintenance of effort), is amended (A) by striking out "part A or part C" and inserting in lieu thereof "part B", and (B) by striking out "under such parts" and inserting in lieu thereof "under such part"; and

(f) part A (dealing with educational opportunity grants) is amended to read as follows:

"PART A—GENERAL PROVISIONS FOR STUDENT ASSISTANCE FINDINGS AND STATEMENT OF PURPOSE

"SEC. 400. The Congress hereby finds that it is in the national interest to assist in making available the benefits of postsecondary education to all qualified students who for lack of financial means of their own or of their families would be unable to obtain those benefits without such assistance. It is therefore the purpose of this title to provide assistance to students, in the form of grants, loans, and compensation, to the end that no person capable of benefiting from such education will be denied it because of financial inability to meet basic postsecondary education costs.

"GRANTS, WORK-STUDY PAYMENTS, AND SUBSIDIZED LOANS

"SEC. 401. (a) It is the purpose of this part to provide for the establishment of general criteria to be used by eligible institutions in providing the following categories of assistance:

"(1) educational opportunity grants;
"(2) work-study payments; and
"(3) subsidized loans under part C of this title.

"(b) The objective of such criteria shall be to assure that the forms of assistance specified in subsection (a) will be made available to all qualified students in financial need attending eligible institutions and shall be designed to provide a reliable basis for enabling students and potential students of such institutions to ascertain their eligibility for financial assistance.

"BASIC ELIGIBILITY FOR, AND AMOUNT OF, GRANTS, WORK-STUDY PAYMENTS, AND RESOURCE EQUALIZING LOANS

"SEC. 402. (a)(1) The Secretary shall, after consultation with the Advisory Council on Financial Aid to Students establish under section 474, promulgate a schedule for each academic year establishing (A) the maximum expected family contribution below which students will be eligible for educational opportunity grants or work-study payments (hereinafter in this part referred to as the 'grant eligibility limit'), and (B) the maximum expected family contribution below which students will be eligible for subsidized loans under part C (hereinafter in this part referred to as the 'loan eligibility limit').

"(2) A student with an expected family contribution, as determined under subsection (d), for an academic year which is less than the grant eligibility limit for such year shall be eligible for a grant (or work-study payments) in accordance with part B and for a loan upon which an interest subsidy is payable in accordance with section 428(a)(2) (hereinafter referred to as a 'subsidized loan'), and a student with an expected family contribution which is less than the loan eligibility limit for an academic year but equal to or more than the grant eligibility limit shall be eligible for a subsidized loan.

"(b)(1) A student meeting the requirements of section 405 and of part B shall be eligible for a grant (or the Federal share of work-study payments) for an academic year in an amount equal to (A) the grant eligibility limit, as determined by the Secretary for that year, less (B) his expected family contribution for such year, as determined by the eligible institution proposing to make such a grant (or such work-study payments).

"(2) A student meeting such requirements shall be eligible for a subsidized loan for such year in an amount equal to (A) the loan eligibility limit as determined by the Secretary for such year, less (B) the sum of (i) the student's expected family contribution for such year, and (ii) the amount of any grant or other payment under part B which he receives for such year.

"(c) A student shall be eligible for an insured student loan under part C in addition to any grant, work-study payment, or subsidized loan described in this part.

(d)(1) For the purposes of this part, a student's expected family contribution means an amount which a family is reasonably able to contribute toward the cost of a student's postsecondary education for an academic year, as determined pursuant to criteria prescribed by the Secretary after consultation with the Advisory Council on Financial Aid to Students. Such criteria shall provide for the determination of family contributions in a manner which takes into account varying family incomes, numbers of dependents, number of dependents receiving postsecondary education during the academic year for which the determination is made, family assets, and other pertinent factors. Such criteria shall also provide for determining the eligibility for assistance under this part of students who are self-supporting and in doing so shall, insofar as appropriate, take into account the factors described in the preceding sentence.

"(2) The determination of an individual student's family income and other factors described in paragraph (1) shall be made, pursuant to regulations prescribed by the Secretary, by the eligible institution to which he has made an application for assistance under this title and in which he is enrolled or to which he has been admitted.

"(e) Notwithstanding any other provision of this section, the Secretary may by regulation establish criteria for the provision of financial assistance by eligible institutions in amounts greater than would otherwise be the case under subsection (b), where institutions determine that special circumstances pertaining to a student of exceptional financial need would render inequitable the limits imposed by such subsection.

"ALLOCATION OF FUNDS TO ELIGIBLE INSTITUTIONS

"SEC. 403. (a) The Commissioner shall, from time to time, set dates by which eligible institutions must file applications for allocations to such institutions of funds appropriated for carrying out section 402. In the case of any such institution, such allocation shall reflect an estimate of the aggregate amount which would be payable to such institution for the academic year for which such allocation is to be made with respect to educational opportunity grants, work-study payments, and subsidies on loans to be made by such institution and for which students enrolled or accepted for enrollment in such institution are estimated to be eligible for such year.

"(b) If, as determined by the Commissioner on the basis of estimates, the total amount of such allocations for any academic year to be made pursuant to this section would exceed the amount available for such allocations for such year, the Commissioner shall reduce such allocations in a manner most likely to achieve an equitable geographical distribution of such allocations and to preserve to the fullest possible extent payments to students with the lowest expected family contributions.

"ELIGIBILITY OF STUDENTS FOR COST OF EDUCATION LOANS AND ALLOCATION OF LOAN VOLUME TO INSTITUTIONS

"SEC. 404. (a) Any student who—

"(1) meets the requirements of section 405;

"(2) has an expected family contribution of less than the loan eligibility limit, as determined under section 402; and

"(3) needs financial assistance, in addition to such assistance as he may be eligible for under section 402, in order to meet the reasonable and necessary expenses (as determined pursuant to section 407) of attendance for an academic year at an eligible institution;

is eligible for a subsidized loan from such institution in an amount for such year (A) not exceeding the reasonable and necessary expenses for such year (not covered by any assistance for which he is eligible under section 402) which are to be incurred by him in consequence of his attendance at the eligible institution, as determined by such institution in accordance with regulations of the Commissioner, and (B) not exceeding $1,500 in addition to such assistance as he may be eligible for under section 402.

"(b) The Commissioner shall, from time to time, set dates by which eligible institutions must file applications for allocations to such institutions of an aggregate dollar amount of loans to be made by such institution to students eligible for subsidized loans under this section. In the case of any such institution, such allocation shall be made on the basis of the Commissioner's estimate of the aggregate dollar amount of subsidized loans for which students enrolled or accepted for enrollment in such institution are eligible under this section, reduced ratably to reflect the amounts available for paying subsidies on such loans.

"RECIPIENTS OF STUDENT FINANCIAL ASSISTANCE

"SEC. 405. (a) An individual may receive assistance in the form of grants, work-study payments, or subsidized loans under this title only if he has been accepted for enrollment as a full-time undergraduate or vocational student at an eligible institution or, in the case of a student already attending such institution, is in good standing and in full-time attendance there as an undergraduate or vocational student.

"(b) Such a student shall receive such assistance only if such institution determines that—

"(1) he shows capability of maintaining good standing in his course of study;

"(2) he meets the criteria for eligibility under which such assistance is to be made available; and

"(3) he would not, but for such assistance, be financially able to pursue a course of study at such institution.

"SUBSTITUTION OF NATIONAL DEFENSE EDUCATION ACT LOANS

"SEC. 406. A loan under title II of the National Defense Education Act of 1958 may be provided by an eligible institution in lieu of a subsidized loan to which a student is eligible under this part.

"LIMITATION

"SEC. 407. The total of any grant, work-study payment, or subsidized loan which a student shall receive for an academic year shall not exceed the reasonable and necessary expenses for such year incurred or to be incurred by him in consequence of his attendance at an eligible institution, as determined by such institution in accordance with regulations of the Secretary.

"ELIGIBLE INSTITUTION

"SEC. 408. As used in this part and part B, the term "eligible institution" means—

"(a) an institution of higher education as defined in section 435(b);

"(b) a proprietary institution of higher education as defined in section 471(b), or

"(c) a vocational school as defined in section 435(c) which is (A) a public school or institution in any State (other than a school or institution of any agency of the United States), or (B) a nonprofit school or institution in any State.

"ELIGIBILITY FOR ASSISTANCE OF STUDENTS ENROLLED IN INSTITUTIONS ON DATE NEW PROGRAMS BECOME EFFECTIVE

"SEC. 409. Notwithstanding any other provisions of this title, a student who, on the date of enactment of the Higher Education Opportunity Act of 1971, is receiving, or (if such date of enactment is not during any academic year with respect to such student) who, during the academic year ending prior to such date, received assistance under Part A or C of title IV of this Act or title II of the National Defense Education Act of 1958 (as in effect prior to such date of enactment) shall be eligible for grant, work-study, or subsidized loan assistance pursuant to this title on a basis at least equivalent to the basis upon which he would have received assistance under such parts and such title II had such Higher Education Opportunity Act not been enacted, as determined under regulations prescribed by the Commissioner for carrying out the purpose of this section.

"SEC. 410. There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1972, and for each of the next four fiscal years to enable the Commissioner to make payments on account of the eligibility of students for assistance (A) under section 402 and (B) under section 404. Thereafter, there are authorized to be appropriated such sums as may be necessary to enable the Commissioner to make payments with respect to subsidized loans made to students prior to July 1, 1976, on account of their eligibility therefor under such sections. Sums appropriated under this section shall remain available until expended."

CONFORMING AMENDMENT

SEC. 402. Clause (2) of section 421(b) is amended by inserting "(except with respect to loans made to students eligible therefor under sections 402 and 404)" immediately after "student loans".

SEC. 403. The following is inserted as part B of such title IV:

"PART B—EDUCATIONAL OPPORTUNITY GRANTS AND WORK-STUDY PAYMENTS

"EDUCATIONAL OPPORTUNITY GRANTS

SEC. 411. (a) An eligible institution, in accordance with its agreement under this part, may award educational opportunity grants to undergraduate or vocational students under which the institution will pay to any such student the amount which such student is eligible to receive for the academic year for which such grant is made. The Commissioner may by regulation prescribe that a portion of the assistance which an eligible institution would otherwise make available in the form of work-study payments under section 412 be made available in the form of educational opportunity grants under this section. Subject to such regulations, eligible institutions may, at their election, make available educational opportunity grants under this section in whole or in part in lieu of work-study payments under section 412.

"(b) Educational opportunity grants may be awarded under this part only for the period required for the completion by the recipient of his undergraduate or vocational course of study. Except as otherwise provided in this subsection, such period shall not exceed four academic years. With respect to a student at an institution of higher education (1) who is pursuing a course of study leading to a first degree and designed by the institution offering it to extend over five academic years, or (2) who is or will be unable to complete a course of study within the maximum period of years specified in the preceding sentence because of a requirement that the student enroll in a noncredit remedial course of study, such period may be extended for not more than one additional academic year. For purposes of the preceding sentence, a 'noncredit remedial course of study' is a course of study for which no credit is given toward an academic degree, and which is designed to increase the ability of the student to engage in an undergraduate course of study leading to such a degree.

"(c) Payments pursuant to an educational opportunity grant awarded under this part may be made only so long as the recipient (1) is maintaining satisfactory progress in the course of study which he is pursuing, according to the regularly prescribed standards and practices of the institution from which he receives such grant, and (2) is devoting essentially full time to that course of study, during the academic year, in attendance at that institution. Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods during which the Commissioner determines in accordance with regulations that there is good cause for his nonattendance (during which periods he shall receive no payments, shall not be deemed contrary to clause (2) of the preceding sentence.

"WORK-STUDY PROGRAMS

"SEC. 412. (a) An eligible institution, in accordance with its agreement under this part, may pay for the part-time employment of its undergraduate or vocational students, through programs of work-study, in work for the institution itself (except in the case of a proprietary institution of higher education) or work in the public interest for a public or nonprofit private organization under an arrangement between such institution and such organization, but only if such work—

"(1) will not result in the displacement of employed workers or impair existing contracts for services,

"(2) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee, and

"(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship.

"(b) (1) No student shall be employed under such programs of work-study for an average of more than fifteen hours per week during a semester, or other term used by the institution in awarding credits, during which classes in which the student is enrolled are in session.

"(2) For purposes of computing the average prescribed by the preceding paragraph, there shall be excluded any period during which the student is on vacation or any period of additional or nonregular enrollment. Employment under a work-study program during any such period or additional or nonregular enrollment in which classes in which the student is enrolled are in session shall be only to the extent and in accordance with criteria established by or pursuant to regulations of the Commissioner.

"WORK-STUDY BENEFITS IN LIEU OF GRANT ASSISTANCE

SEC. 413. (a) The Commissioner may by regulation prescribe that a portion of the assistance which an eligible institution would otherwise make available in the form of educational opportunity grants under section 411 be made available in the form of work-study payments pursuant to section 412. Subject to such regulations, eligible institutions may, at their election, make available work-study payments under section 412 in whole or in part in lieu of educational opportunity grants.

"(b) Work-study payments shall not be made in lieu of educational opportunity grants by an institution under this section unless—

"(1) such work-study payments are made on a basis which provides net earnings to the student from the Federal share of such payments for the academic year involved equal to the amount of the grant which he would have received for such year had such election not been made;

"(2) the criteria for making such elections are applied uniformly by such institution and are determined by the Commissioner to be consistent with such standards as he may prescribe under subsection (a).

"(c) A student to whom work-study payments are made available under this section in lieu of grant assistance may elect instead to receive a subsidized loan under part C, or a loan under title II of the National Defense Education Act of 1958, in the amount of the Federal share of such work-study payments. In the event of such election, the amount allocated to such institution under section 403 shall be adjusted in accordance with regulations of the Commissioner.

"AGREEMENTS WITH INSTITUTIONS

"SEC. 414. (a) As a condition for receiving funds for educational opportunity grants and work-study payments under this part, an eligible institution shall enter into an agreement with the Commissioner, which agreement shall—

"(1) provide that the funds received by the institution under this part shall be used by it in accordance with the provisions of this part and part A;

"(2) provide that the institution shall conduct a program of educational opportunity grants in accordance with section 411;

"(3) provide for the operation by the institution of a program of work-study in accordance with the provisions of sections 412 and 413, and provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement will not, except as provided in subsection (b), exceed 80 per centum of such compensation;

"(4) include procedures satisfactory to the Commissioner designed to assure that each student of the institution eligible for a subsidized loan (or loan under title II of the National Defense Education Act of 1958) in accordance with section 402 will be enabled to obtain such loan in the amount for which he is eligible, including provision for loans by the institution to students who, because they or their families do not maintain business relationships with eligible lenders or because of their status as initial year undergraduates or for any other reason, are unable to obtain such loans readily from other eligible lenders;

"(5) include, in the case of a proprietary institution of higher education, such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance under this part to students at such institution has not increased, and will not increase, the tuition, fees, or other charges to such students; and

"(6) include such other provisions as the Commissioner deems necessary or appropriate to carry out the purposes of this part.

"(b) The Federal share of work-study payments may exceed 80 per centum of the compensation of students employed in the work-study program if the Commissioner determines, pursuant to regulations establishing objective criteria for such determinations, that a Federal share in excess of 80 per centum is required in furtherance of the purposes of this part. In addition to other circumstances under which the Commissioner may determine that a Federal share in excess of 80 per centum is required in furtherance of the purposes of this part, he may do so where (1) payment of the non-Federal share would result in a student receiving funds in excess of the limitation imposed by section 407, or (2) students are employed in (A) the work-study program of an eligible institution not less than 50 per centum of whose students are from low-income families, (B) the counseling or tutoring of the educationally disadvantaged, or (C) any project of community service with respect to which a limitation of the Federal share to 80 per centum would impose unusual hardship on the eligible institution or the public or nonprofit private organization for which such project is performed.

"EXPENSES OF ADMINISTRATION

"SEC. 415. (a) An institution which has entered into an agreement with the Commissioner under this part shall be entitled, for each academic year for which it receives an allocation under section 403, to a payment in lieu of reimbursement for its expenses during such academic year in administering programs assisted under this part. The payment for an academic year (1) shall be payable from such allocation in accordance with regulations of the Commissioner and (2) shall be an amount equal to 3 per centum of the aggregate amount of work-study payments and payments under educational opportunity grants made by such institution during such year under this part, but not to exceed $125,000.

"(b) An agreement under this part may also include provisions authorizing the institution, to the extent and under terms and conditions prescribed by the Commissioner by or pursuant to regulation, to use, out of the sums allocated to it for the purposes of this part, a portion for its administrative expenses (which for this purpose may, among other expenses, include expenses of counseling and guidance, placement, and consulting services) in developing or carrying out a program, described in such agreement, to demonstrate or explore the feasibility or value of methods of cooperative education involving alternative periods of full-time academic study at the institution and periods of full-time public or private employment (whether or not afforded by an organization described in section 411(a)) approved or arranged for by the institution under such program."

EFFECTIVE DATE

SEC. 404. The amendments made by sections 401, 402, and 403 shall be effective with respect to fiscal years beginning after June 30, 1971.

PART B—AMENDMENTS TO STUDENT LOAN INSURANCE PROGRAM

INTEREST TERMS TO BORROWERS ELIGIBLE FOR SUBSIDIZED LOANS; SECRETARY TO ESTABLISH MAXIMUM INTEREST RATES; POSITION OF ELIGIBLE INSTITUTION AS ELIGIBLE LENDER STRENGTHENED: NEGOTIABILITY OF STUDENT OBLIGATIONS

SEC. 405. (a)(1) Subsection (a) of section 428 of the Higher Education Act of 1965 is amended to read as follows:

"SEC. 428. (a)(1) Each student who has received a loan, after June 30, 1971, which—

"(A) is insured by the Commissioner under this part,

"(B) is made under a State student loan program meeting criteria prescribed by the Commissioner under this part, or

"(C) is insured under a program of a State or of a nonprofit private institution or organization that has entered into an agreement with the Commissioner under subsection (b) or (c) of this section,

and with respect to which loan an interest subsidy is payable pursuant to part A shall be entitled to have paid on his behalf and for his account to the holder of the loan (except where such holder is the Secretary), at such times and according to such terms and conditions as the Commissioner may prescribe, a portion of the interest on his loan determined under paragraph (2).

"(2) The portion of the interest on a loan which a student borrower is entitled to have paid on his behalf and for his account to the holder of the loan pursuant to paragraph (1) shall be an amount equal to—

"(A) the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, or which accrues during a period in which no part of such principal need be paid (whether or not such principal is in fact paid) by reason of a provision described in section 428(b)(1)(L) or in section 427(a)(2)(C); and

"(B) the difference between the per annum rate of interest on the unpaid balance of such loan and 3 per centum per annum of such unpaid balance during the period (other than any portion of such period in which the total amount of the interest on the unpaid principal amount is payable by the Commissioner pursuant to clause (A)) beginning with the date upon which the repayment period commences and ending ten years after such date, or at the conclusion of the repayment period, whichever is earlier.

"(3) Each holder of a loan insured or insurable by the Commissioner under section 427, or with respect to which payments of interest are required to be made by the Commissioner, shall submit to the Commissioner, at such times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan. The holder of a loan with respect to which payments are required to be made under this subsection shall be deemed to have a contractual right, as against the United States, to receive from the Commissioner the portion of interest determined under paragraph (2).

"(4) No payment may be made under this section with respect to the interest on a loan made from a student loan fund established under title II of the National Defense Education Act of 1958."

(2) Paragraph (1) of subsection (c) of such section is amended to read as follows:

"(1) The Commissioner may enter into a guaranty agreement with any State or any nonprofit private institution or organization having a loan insurance program meeting the requirements of subsection (b), whereby the Commissioner shall undertake to reimburse it, under such terms and conditions as he may establish, in an amount equal to 80 percent of the amount expended by it in discharge of its insurance obligation, incurred under such loan insurance program with respect to losses (resulting from default of the student borrower) on the unpaid balance of the principal (other than interest added to principal) of any insured loan."

(b) Section 437 is amended to read as follows:

"SEC. 437. If a student borrower who has received a loan described in clause (A), (B), or (C) of section 428 (a)(1) (whether or not an interest subsidy is payable pursuant to part A of this title) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Commissioner), then the Commissioner shall discharge the borrower's liability on the loan by repaying the amount owed on the loan (except where such amount is owed to the Secretary)."

(c)(1) Subsection (b) of section 427 is amended to read:

"(b) For the purpose of clause (2)(D) of subsection (a), and clause (1)(E) of section 428(b), the Secretary, after consultation with the Secretary of the Treasury and the National Student Loan Association, shall prescribe maximum rates of interest to facilitate the operation of this part which shall be not less than a per annum rate equal to the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt as computed at the end of the fiscal year preceding the fiscal year for which such rates are prescribed."

(2) Clause (2)(D) of section 427(a) is amended by striking out "and defined by the Secretary (within the limits set forth in subsection (b)) on a national, regional, or other appropriate basis" and inserting in lieu thereof" by the Secretary pursuant to subsection (b)".

(3) Clause (1)(E) of section 428(b) is amended to read:

> "(E) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of the maximum rate of interest prescribed for such loan pursuant to section 427(b) (exclusive of any premium for insurance which may be passed on to the borrower);".

(4) Clause (1) of section 428(d) is amended by striking out "not in excess of 7 per centum per annum" and inserting in lieu thereof "not in excess of the rate prescribed by the Secretary pursuant to section 427(b)".

(d)(1) Section 423(a) is amended by inserting ", other than with respect to loans by eligible institutions," after "429".

(2) Subsection (d) of section 429 is amended to read as follows:

"(d) Subject to any terms, conditions, or limitations established by regulations of the Commissioner, the rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section, or the rights of any assignee thereof, may be assigned."

INCREASE AND OTHER ADJUSTMENTS IN LOAN CEILINGS

SEC. 406. (a) Section 425 is amended to read as follows:

SEC. 425. (a) The total of the loans made to a student in any academic year or its equivalent (as determined under regulations of the Commissioner) which may be insured by the Commissioner under this part may not exceed an amount equal to $2,500 reduced by the total amount of loans to the student in such academic year which (1) are made to the student under a State student loan program meeting criteria prescribed by the Commissioner under this part, or (2) are insured under a program of a State or of a nonprofit private institution or organization which has entered into an agreement with the Commissioner under subsection (b) or (c) of section 428. A student may receive loans insured by the Commissioner for not in excess of a period equal to seven academic years reduced by the number of academic years in which the student has received a loan described in the preceding sentence. If a student has a line of credit, only actual payments by the lender to the borrower during any year will be taken into account in determining the total insurable amount for such year.

"(b) Subject to the limitations of subsection (a)—

"(1) the maximum loan to any student insured by the Commissioner in any academic year with respect to which an interest subsidy is payable pursuant to part A shall be determined by the Secretary in accordance with such part; and

"(2) the maximum loan to any student insured by the Commissioner in any academic year, other than a loan described by clause (1), shall not exceed the reasonable and necessary expenses incurred by the student, in such academic year, in consequence of his attendance at an eligible institution; and the amount of such expenses shall be estimated by such eligible institution in accordance with regulations of the Commissioner.

A statement of the maximum loan determined by the Secretary under part A and the estimate of reasonable and necessary expenses, with respect to a student for any academic year, shall be furnished by the eligible institution to the student upon his request. No loan or portion thereof shall be insured by the Commissioner, in excess of such maximum or estimate.

"(c) The insurance liability on any loan insured by the Commissioner under this part shall be 100 per centum of the unpaid balance of the principal amount of the loan. Such insurance liability shall not include liability for interest whether or not that interest has been added to the principal amount of the loan except as otherwise expressly provided herein."

(b) Section 428(b)(1) is amended (1) in clause (A) by striking out "$1,500" and inserting "$2,500" in lieu thereof, and by striking out all of that clause that follows "in excess of such annual limit;", (2) in clause (B) by striking out all of that clause that follows "students for" and inserting in lieu thereof "seven academic years of study or their equivalent (as determined under regulations of the Commissioner) reduced by the number of academic years in which the student has received a loan insured by the Commissioner under this part;", and (3) in clause (H) by striking out all of that clause that follows "any student" and inserting in lieu thereof "because of lack of need if an interest subsidy is payable pursuant to part A with regard to any loan to such student;".

DEFERRAL OF INTEREST AND PRINCIPAL PAYMENTS

SEC. 407. (a)(7) Clauses (E), (F), and (G) of section 427(a)(2) are redesignated clauses (F), (G), and (H), respectively, and there is inserted after clause (D) the following new clause:

"(E) authorizes the student borrower, if agreed to by the lender, to defer the payment of periodic installments of principal and interest during any period or periods (not in excess of an aggregate of five years) as the student may, during the repayment period, from time to time specify in advance by written notice to the lender, which deferred interest shall accrue and be added to principal on the date that payment of principal and interest is to resume, and shall thereby increase the insurance liability under this part in the amount of such accrued interest,".

(2) Clause (D) of section 427(a)(2) is amended by striking out so much of that clause as follows "payable in installments" and inserting in lieu thereof "over a period beginning on the date upon which repayment of the first installment of principal falls due and ending on the date upon which repayment of the last installment of principal falls due, and interest accruing but not payable prior to the date upon which repayment of the first installment of principal falls due shall be added to principal and shall thereby increase the insurance liability under this part in the amount of such accrued interest,".

(3) Clause (C) of section 427(a)(2) is amended by striking out "need not be paid, but interest shall accrue and be paid" and inserting in lieu thereof "and interest need not be paid, but interest shall accrue and be added to principal, and shall thereby increase the insurance liability under this part in the amount of such accrued interest".

(b)(1) Paragraph (1) of section 428(b) is amended (A) by striking out "and" at the end of clause (J) thereof, (B) by striking out the period at the end of clause (K) and inserting "; and" in lieu thereof, and (C) by adding at the end of such paragraph the following new clauses:

> "(L) provides that periodic installments of principal and interest need not be paid, but interest shall accrue and be added to principal, and is thereby insured under such program, during any period (i) during which the borrower is pursuing a full-time course of study at an eligible institution, (ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964."

(2) Subsection (e) of section 428 is amended to read as follows:

"(e) The Commissioner shall encourage the inclusion, in any State or nonprofit private student loan insurance program meeting the requirements of subsection (b), of provisions authorizing the student borrower, if agreed to by the lender, to defer the payment of periodic installments of principal and interest during any period or periods (not in excess of an aggregate of five years) as the student may, during the repayment period, from time to time specify in advance by written notice to the lender, which deferred interest shall accrue and be added to principal on the date that payment of principal and interest is to resume, and shall thereby increase the insurance liability of such programs, and the Federal guaranty applicable to such program."

EXTENSION OF PERMISSIBLE REPAYMENT PERIOD

Sec. 408. (a)(1) Clause (B) of section 427(a)(2) is amended to read as follows:

> "(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than five years (unless sooner repaid) nor more than twenty years beginning nine months after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except that in the computation of such periods there shall be excluded periods in which interest or principal is not paid pursuant to clause (C) or clause (E), and except, also, that the note or other written agreement evidencing it may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default of the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made,".

(2) Clause (C) of such section is amended by striking out all that follows "1964" and inserting a comma in lieu thereof.

(b)(1) Clause (D) of section 428(b)(1) is amended to read as follows:

> "(D) provides for repayment (except as provided by subsection (e)) of the principal amounts of loans in installments over a period of not less than five years (unless sooner repaid) nor more than twenty years beginning nine months after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except that in the computation of such periods there shall be excluded periods in which interest or principal is not paid pursuant to clause (L) of this paragraph or subsection (e), and except, also, that the note or other written agreement evidencing it may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default of the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made;".

(2) Section 428(b)(1)(C) is amended by striking out clause (ii) thereof, and redesignating clause (iii) as clause (ii).

EXTENSION OF PROGRAM AND REPEAL OF PREVIOUS FEDERAL LOAN INSURANCE CEILING

Sec. 409. Section 424 is amended to read as follows:

"Sec. 424. Except as provided in the next sentence, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to students prior to July 1, 1976. Thereafter, such insurance may be granted for the purpose of enabling students who have obtained prior loans insured under this part to continue or complete their educational programs; but no insurance may be granted for any loan made or installment paid after June 30, 1980."

REPEAL OF CANCELLATION OF NATIONAL DEFENSE STUDENT LOANS

SEC. 410. Subparagraph (3) of section 205(b) of the National Defense Education Act of 1958 is repealed.

ELIGIBILITY FOR NATIONAL DEFENSE STUDENT LOANS

SEC. 411. Subsection (b) of section 205 of the National Defense Education Act of 1958 is amended by inserting after "course of study" the following: ", and to such priorities in the lending of such funds as the Secretary may from time to time establish pursuant to title IV of the Higher Education Act of 1965".

AUTHORITY TO MAINTAIN STUDENT LOAN FUNDS

SEC. 412. Section 206 of the National Defense Education Act of 1958 is amended by striking out "1975" wherever it appears and inserting in lieu thereof "1980".

EFFECTIVE DATE APPLICABLE TO SECTIONS 405 THROUGH 411

SEC. 413. Sections 405 through 411 of this Act shall be effective with respect to loans made or disbursed to students after June 30, 1971.

PART B—ESTABLISHMENT OF NATIONAL STUDENT LOAN ASSOCIATION

SEC. 420. Part D of title IV of the Higher Education Act of 1965 is amended to read as follows:

"PART D—NATIONAL STUDENT LOAN ASSOCIATION

"DECLARATION OF PURPOSE

"SEC. 411. It is the purpose of this part to establish a private corporation financed by private capital to serve as a secondary market for student loans insured under part C and to provide liquidity for those who make such loans.

"CREATION OF AGENCY

"SEC. 442. (a) There is hereby created a body corporate to be known as the National Student Loan Association (hereinafter in this part referred to as the 'Association'). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and civil actions, to be a resident thereof. Offices may be established by the Association in such other place or places as it deems necessary or approriate for the conduct of its business.

"(b) The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real propery of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"BOARD OF DIRECTORS

"SEC. 443. (a) The Association shall have a Board of Directors consisting of twenty-one persons.

"(b) An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of eligible lenders under part C other than eligible institutions, seven of eligible institutions (as defined in section 435(a)), and seven of the general public. The interim Board shall arrange for an initial offering of common stock and take whatever actions are necessary to proceed with the operations of the Association.

"(c) When, in the judgement of the President, sufficient common stock of the Association has been purchased by eligible institutions and banks or other financial institutions, the holders of such stock which are eligible institutions shall elect seven members of the Board of Directors and the holders of such stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven members. The members so elected and appointed shall elect a chairman. The elections referred to in this subsection shall be carried out in such manner as the interim Board may prescribe.

"(d) The interim Board shall thereafter turn over the affairs of the association to the regular Board so chosen or appointed.

"(e) The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and until their successors have been elected. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

"(f) The Board of Directors shall meet at the call of its chairman. The board shall determine the general policies which will govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"FUNCTIONS

"SEC. 444. (a) Subject to the provisions of this part and the approval of the Secretary, the Association is authorized to make advances on the security of, or to purchase, service, sell, or otherwise deal in, student loans which are insured under part C.

"(b) Any advance made under subsection (a) of this section shall not exceed 80 per centum of the face amount of the insured loans upon the security of which such advance is made. The proceeds from any advance shall be invested in additional insured student loans.

"COMMON STOCK

"SEC. 445. (a) The Association shall have common stock having a par value of $100 per share.

"(b) Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of directors. Voting shall be by classes as described in section 443(c).

"(c) The common stock of the Association shall be transferable, as to the Association, only on the books of the Association. The Secretary shall prescribe the maximum number of shares of common stock the Association may issue and have outstanding at any one time. Shares of such stock which are outstanding may be called for retirement at par at the option of the Association at any time.

"(d) To the extent that net income is earned and realized, dividends may be declared on common stock by the Board of Directors. Such dividends shall be paid to the holders of outstanding shares of common stock, except that no such dividend shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"OBLIGATIONS

"SEC. 446. (a) The Association is authorized with the approval of the Secretary of the Treasury to issue and have outstanding obligations having maturities and bearing such rate or rates of interest as may be determined by the Association with the approval of the Secretary of the Treasury. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein.

"(b) The Secretary is authorized to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury.

"(c) To enable the Secretary to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There are authorized to be appropriated to the Secretary such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"GENERAL AUTHORITY

"SEC. 447. The Association shall have authority—

"(a) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(b) to adopt, alter, and use a corporate seal, which shall be judicially noticed;

"(c) to adopt, amend, and repeal by its Board of Directors such bylaws, rules and regulations as may be necessary for the conduct of its business;

"(d) to conduct its business, carry on its operations, and have offices and exercise the authority granted by this part in any State without regard to any qualification or similar statute in any State;

"(e) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(f) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(g) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(h) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, to require bonds for them and fix the penalty thereof; and

"(i) to enter into contracts, to execute instruments, to incur liabilities, and to do all things necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"AUDIT

"SEC. 448. The accounts of the Association shall be audited at least annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States, except that independent public accountants licensed to practice by such regulatory authority after December 31, 1970, and persons who, although not so certified or licensed, meet, in the opinion of the Secretary, standards of education and experience representative of the highest standards prescribed by the licensing authorities of the several States which provide for the continuing licensing of public accountants and which are prescribed by the Secretary in appropriate regulations may perform such audits until December 31, 1975. A report of each such audit shall be furnished to the Secretary of the Treasury.

"OBLIGATIONS AS LAWFUL INVESTMENTS, ACCEPTANCE AS SECURITY

"SEC. 449. All obligations issued by the Association shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this part shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States. The Association shall for the purposes of section 14(b)(2) of the Federal Reserve Act, be deemed to be an agency of the United States.

"PREPARATION OF OBLIGATIONS

SEC. 450. In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

"ANNUAL REPORT

"SEC. 451. The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year, including a report of the audit conducted under section 448.

"SEPARABILITY

"SEC. 452. If any provision of this part or the application thereof to any person or circumstance is held invalid, the validity of the remainder of the part, and the application of such provisions to other persons or circumstances, shall not be affected.

"INTERIM FINANCING ARRANGEMENT FOR STUDENT LOANS

"SEC. 453. (a) Any eligible institution (as defined in section 408(b)) which, subsequent to enactment of this part, makes a loan on which a subsidy is payable under section 428(a), may offer that loan for sale to the Secretary, and, until such time as the Association, in the Secretary's judgment, is able to purchase student loans insured under part C, the Secretary is authorized and directed to purchase any such loan at a price equal to 100 per centum of the unpaid principal thereof and interest thereon at the time of purchase.

"(b) Upon application to him by an eligible institution indicating that such institution is, in the Secretary's judgment, in need of funds with which to make loans on which subsidies are payable under section 428(a), the Secretary shall make an advance of funds to such institution against the future purchase by him of such loans.

"(c) The Secretary may enter into an agreement with any eligible institution from which he has purchased one or more loans pursuant to subsection (a) under which agreement such institution (A) will undertake to perform administrative functions with respect to any loan purchased from it by the Secretary and (B) be reimbursed the cost thereof.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 454. There are authorized to be appropriated such sums as may be necessary to carry out the preceding section.

"TERMINATION OF INTERIM FINANCING ARRANGEMENT

"SEC. 455. At such time as the Association is able to purchase student loans insured under part C, such Association shall purchase from the Secretary student loans which he has acquired under section 453(a). Such loans shall be purchased by such Association upon such terms and conditions as the Board of Directors shall determine. Such Association shall not deal in any other student loans until it has first purchased from the Secretary all loans which he has so acquired.

"PURCHASE OF OBLIGATIONS BY TREASURY

"SEC. 456. The Secretary of the Treasury is authorized to purchase, in his discretion and upon such terms and conditions as he determines, any obligations issued by the Association under section 446(a), and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under such Act are extended to include such purchases. The aggregate principal amount of the Secretary of the Treasury's outstanding holdings of such obligations may not exceed at any time an amount greater than $250,000,000. The Secretary of the Treasury may sell, upon such terms and conditions as he determines, any of the obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this section shall be treated as public debt transactions of the United States."

AMENDMENTS RELATING TO FINANCIAL INSTITUTIONS

SEC. 421. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations of the National Student Loan Association," immediately after "or obligations, participation, or other instrument of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,"

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following new paragraph:

"(14) Obligations of the National Student Loan Association shall not be subject to any limitation based upon such capital and surplus."

(c) The first paragraph of section 5(c) of the Home Owners' Loan Act of 1933, as amended (12 U.S.C. 1464(c)), is amended by inserting "or in obligations of the National Student Loan Association;" in the second proviso immediately after "any political subdivision thereof."

(d) Clause (E) of paragraph (8) of section 8 of the Federal Credit Union Act (12 U.S.C. 1757(8)(E) is amended by inserting "or the National Student Loan Association" immediately following "Government National Mortgage Association".

INAPPLICABILITY OF TRUTH IN LENDING ACT

SEC. 422. Section 104 of the Truth in Lending Act (15 U.S.C. 1603) is amended by adding the following new paragraph at the end thereof:

"(5) Loans under title II of the National Defense Education Act of 1958 or loans to which title IV of the Higher Education Act of 1965 is applicable.".

EFFECTIVE DATE

SEC. 423. The amendments made by sections 420, 421, and 422 shall be effective with respect to fiscal years beginning after June 30, 1971.

PART C—CONSOLIDATION OF SPECIAL SERVICES PROGRAMS

SEC. 430. Title IV of the Higher Education Act is further amended by inserting after part D the following new part:

"PART E—IDENTIFYING QUALIFIED LOW-INCOME STUDENTS; PREPARING THEM FOR POSTSECONDARY EDUCATION; SPECIAL SERVICES FOR SUCH STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"SEC. 461. (a) To assist in achieving the objectives of this part the Commissioner is authorized, without regard to section 3709 of the Revised Statutes (41

U.S.C. 5), to make grants to, or contracts with, institutions of higher education, including institutions with vocational and career education programs, combinations of such institutions, public and private agencies and organizations (including professional and scholarly associations), and in exceptional cases secondary schools and secondary vocational schools, for planning, developing, or carrying out within the States one or more of the services described in subsection (c), except that no grant may be made to an agency, organization, institution, or school other than a public or nonprofit private one.

"(b) Such services shall be designed to enable youths from low-income backgrounds who have academic potential (but may lack adequate secondary school preparation or be physically handicapped) to enter, continue, or resume a program of postsecondary education.

"(c) Such services are—

"(1) publicizing existing forms of student financial aid;

"(2) identifying youths described in subsection (b) and encouraging them to complete secondary school and to undertake postsecondary education;

"(3) encouraging youths described in subsection (b) who have dropped out of secondary school or college to reenter educational programs, including programs of postsecondary education;

"(4) generating skills and motivation necessary for success in education beyond high school;

"(5) providing counseling, tutorial, or other educational services, including special summer programs, to remedy academic deficiencies;

"(6) providing career guidance, placement, or other student personnel services (including health services);

"(7) identifying, encouraging, and counseling students with a view to their undertaking a program of graduate or professional education; and

"(8) providing other special or supplemental services necessary to achieve the purposes set forth in subsection (b).

"(d) Enrollees who are participating on an essentially full-time basis in one or more services being provided under subsection (c) may be paid stipends, but not in excess of $30 per month except in exceptional cases as determined by the Commissioner.

"(e) There are authorized to be appropriated to carry out this part such sums as may be necessary for the fiscal year ending June 30, 1972, and each of the next four fiscal years."

EFFECTIVE DATE

SEC. 431. The amendments made by section 430 shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE V—AMENDMENTS TO TITLE V OF HIGHER EDUCATION ACT (EDUCATION PROFESSIONS DEVELOPMENT ACT)

PART A—AMENDMENTS TO PART A OF TITLE V

EXTENSION OF NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT AND PROGRAM FOR ATTRACTING QUALIFIED PERSONNEL TO THE FIELD OF EDUCATION

SEC. 501. (a) Section 502(f) of title V of the Higher Education Act of 1965 (the Education Professions Development Act) is amended by striking out "three" and inserting in lieu thereof "eight".

(b) Section 504(b) of such title is amended by striking out "and" before "the sum of $5,000,000" and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

PART B—AMENDMENTS TO SUBPART 1 OF PART B (TEACHER CORPS)

EXTENSION OF PROGRAM

SEC. 510. Section 511(b) of the Higher Education Act of 1965 is amended (1) by striking out "and" before "$100,000,000", and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

PART C—AMENDMENTS TO SUBPART 2 OF PART B

EXTENSION OF PROGRAM

SEC. 520. Section 518(b) of the Higher Education Act of 1965 is amended by striking out "and" before "$65,000,000" and by inserting ", and such sums as may be necessary for each of the next five fiscal years" immediately after "July 1, 1971".

RETRAINING OF TEACHERS AND EMPLOYMENT OF TUTORS AND INSTRUCTIONAL ASSISTANTS

SEC. 521. Section 518(a) of such Act is amended by striking out "and" before "(2)" and by adding the following before the period: ", (3) to employ high school and college students as tutors or instructional assistants for educationally disadvantaged children, (4) to compensate such tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported work-study programs, and (5) to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage."

REDUCING MINIMUM ALLOTMENT

SEC. 522. Section 519(a) of such Act is amended by striking out "$100,000" and inserting in lieu thereof "$50,000".

CONFORMING AMENDMENTS AND INCREASE IN AMOUNT AVAILABLE FOR ADMINISTRATION

SEC. 523. (a) Section 520(a)(2) is amended (A) by striking out "and (C)" and inserting in lieu thereof "(C) programs of such agencies to employ high school and college students as tutors or instructional assistants for educationally disadvantaged children, (D) programs of such agencies to compensate such tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported work-study programs, (E) programs of such agencies to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage, and (F)", (B) by striking out "3" and inserting in lieu thereof "5", and (C) by inserting before the semicolon: "or $20,000, whichever is greater".

(b) Section 520(a)(3) is amended by inserting "or for the retraining of teachers" immediately before the semicolon at the end thereof.

ELIMINATING CEILING ON AMOUNT FOR AIDES

SEC. 524. Section 520(a) of such Act is further amended by striking out paragraph (5) and designating paragraphs (6), (7), (8), and (9) as paragraphs (5), (6), (7), and (8), respectively, and by inserting in paragraph (5), as so redesignated, "is teaching, or" immediately after "because he".

PART D—AMENDMENTS TO PART D—IMPROVING TRAINING OPPORTUNITIES FOR NONHIGHER EDUCATION PERSONNEL

EXTENSION OF PROGRAM

SEC. 530. Section 532 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $90,000,000" and inserting the following after "July 1, 1971"; ", and such sums as may be necessary for each of the next five fiscal years".

SUPPORT OF TUTORS AND INSTRUCTIONAL ASSISTANTS

SEC. 531. Section 531(b) of such Act is amended by changing the period at the end thereof to a semicolon and by adding the following new paragraph:

"(11) programs or projects to employ tutors or instructional assistants in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children".

SEC. 532. Section 531(c) of such Act is amended by striking out "or" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting "; or" in lieu thereof, and by adding the following new paragraph:

> "(3) compensating tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with the prevailing practices under comparable federally supported work-study programs.".

DEVELOPING AND STRENGTHENING PROGRAMS FOR THE EDUCATION OF TEACHERS AND RELATED EDUCATIONAL PERSONNEL

SEC. 533. Section 531(b) of such Act is further amended by changing the period at the end thereof to a semicolon, by adding "and" at the end of paragraph 11, and by adding the following new paragraph:

> "(12) programs or projects (including cooperative arrangements or consortia between institutions of higher education, junior and community colleges, or between such institutions and State or local educational agencies and nonprofit education associations) for the development, expansion, or improvement of undergraduate programs for preparing educational personnel, including design, development, and evaluation of exemplary undergraduate training programs, introduction of high quality and more effective curricula and curricular materials, and the provision of increased opportunities for practicum teaching experience for prospective teachers in elementary and secondary schools."

SEC. 534. Section 531(c) of such Act, as amended by section 532 of this Act, is further amended by striking out the "or" at the end of paragraph (2) and the period at the end of paragraph (3), by inserting a semicolon and "or" at the end of paragraph (3), and by adding the following new paragraph:

> "(4) projects or programs to develop, expand, or improve undergraduate and other programs for training educational personnel."

APPLICATION OF PART D TO INDIAN SCHOOLS

SEC. 535. Section 532 of the Higher Education Act of 1965 is amended by inserting "(a)" after "SEC. 532." and by inserting at the end thereof the following new subsection:

"(b) From the sums appropriated pursuant to subsection (a), the Commissioner may also make payments to the Secretary of the Interior to carry out the policy of this part with respect to persons preparing to serve as teachers of individuals on reservations serviced by elementary and secondary schools for Indian children operated or supported by the Department of Interior. The terms upon which payments for that purpose may be made to the Secretary of the Interior shall be determined pursuant to such criteria as the Commissioner determines will best carry out the policy of this part."

PART E—CONSOLIDATION OF TITLE IV OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958 WITH PART E OF TITLE V OF THE HIGHER EDUCATION ACT OF 1965 (EDUCATION PROFESSIONS DEVELOPMENT ACT)

EXTENSION OF PROGRAM

SEC. 540. Section 543 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $36,000,000" and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

BROADENING CLASS OF INSTITUTIONS FOR WHICH PERSONNEL MAY BE TRAINED

SEC. 541. (a) Section 541(a) of such Act is amended by striking out "institutions of higher education" as it appears immediately before the period and inserting in lieu thereof "postsecondary institutions".

(b) Section 541 (b) of such Act is amended by striking out "fellowships which are eligible for support under title IV of the National Defense Education Act of 1958, or for".

(c) Section 541(c) is amended by striking out "institutions of higher education" and inserting in lieu thereof "postsecondary institutions".

PROVISION FOR INSTITUTIONAL ALLOWANCE

SEC. 542. Section 542 is amended by striking out "SEC. 542." and inserting in lieu thereof "SEC. 542. (a)" and by adding at the end thereof the following new subsection:

"(b) Any arrangement with an institution of higher education under this part that authorizes the payment of stipends pursuant to subsection (a) of this section shall also provide that the Commissioner shall pay to such institution such amount as he may determine to be consistent with prevailing practices under comparable federally supported programs, except that such amount shall not exceed $3,500 per academic year for each person receiving a stipend pursuant to the arrangement."

SAVINGS PROVISIONS

SEC. 543. Effective July 1, 1971, title IV of the National Defense Education Act of 1958 is repealed, except that in the case of any individual who was awarded a fellowship pursuant to such title for which payments for the first academic year of such fellowship were made or to be made from appropriations for any fiscal year ending before July 1, 1971, payments with respect to such fellowships shall continue to be made for periods after June 30, 1971, from appropriations under part E of title V of the Higher Education Act of 1965, but under the same terms and conditions and for the same period of time as thought such title IV had not been repealed.

PART F—AMENDMENT TO PART F—TRAINING AND DEVELOPMENT OF VOCATIONAL EDUCATION PERSONNEL

EXTENSION OF PROGRAM

SEC. 550. Section 555 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $35,000,000" and inserting the following after "June 30, 1970": ", and such sums as may be necessary for each of the next six fiscal years".

EFFECTIVE DATE

SEC. 551. Except as otherwise expressly provided, the amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE VI—REPEAL OF TITLES VI, VII, IX, X, AND XI OF THE HIGHER EDUCATION ACT

SEC. 601. Title VI of the Higher Education Act of 1965, pertaining to improvement or undergraduate instruction, title VIII of such Act, pertaining to networks for knowledge, title IX of such Act, pertaining to education for the public service, title X of such Act, pertaining to improvement of graduate programs, and title XI of such Act, pertaining to law school clinical experience programs, are, effective July 1, 1971, repealed.

TITLE VII—AMENDMENTS TO GENERAL PROVISIONS

SEC. 701. (a) Title XII and sections 1201 through 1210 of the Higher Education Act of 1965, and all references thereto, are redesignated as title VIII and sections 801 through 810 of such Act, respectively.

(b) Title VIII of such Act, as redesignated by this Act, is amended by inserting at the end thereof the following new section:

"UNIFORM APPLICATION REQUIREMENTS

"SEC. 811. Any application for assistance under titles II, III, or V submitted to the Commissioner by an institution of higher education or other eligible applicant shall not be approved unless it contains assurances satisfactory to the Commissioner that—

"(1) Federal funds made available under such title for any fiscal year will be so used as to supplement, and to the extent practical, increase the fiscal effort that would, in the absence of such Federal funds, be made by the applicant for purposes which meet the requirements of such title, and in no case supplant such effort;

"(2) such fiscal control and fund accounting procedures have been adopted as may be necessary to assure proper disbursement of and accounting for Federal funds paid under such title;

"(3) procedures have been adopted (A) for the periodic evaluation of the effectiveness of the programs to be supported under such title, and (B) for appropriate dissemination of the results of such evaluation; and

"(4) the applicant (A) will make such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under such title and to determine the extent to which funds provided under that title have been effective in carrying out its purposes (including reports of evaluations), and (B) will keep such records and afford such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports."

EFFECTIVE DATE

SEC. 702. The amendments made by section 701 shall be effective July 1, 1971.

TITLE VIII—AMENDMENTS TO HIGHER EDUCATION FACILITIES ACT

EXTENSION OF PROGRAM

SEC. 801. (a) The first sentence of section 101(b) of the Higher Education Facilities Act of 1963 is amended by striking out "and" before "$936,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(b) Section 105(b) of such Act is amended by striking out "four" and inserting in lieu thereof "six".

(c) The second sentence of section 201 of such Act is amended by striking out "and" before "the sum of $120,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(d) The second sentence of section 303(c) of such Act is amended by striking out "and" before "the sum of $400,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(e) Section 306(c) of such Act is amended by inserting "and on July 1 of each of the next two years" immediately after "July 1, 1970".

(f) Section 408(a) of such Act is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1973".

NEW PROGRAM OF INSURED LOANS FOR CONSTRUCTION OF NONPROFIT PRIVATE ACADEMIC FACILITIES

SEC. 802. Title III of the Higher Education Facilities Act of 1963 is amended by inserting immediately after section 306 the following:

"ACADEMIC FACILITIES LOAN INSURANCE

"SEC. 307. (a) In order to assist nonprofit private institutions of higher education and nonprofit private higher education building agencies to procure loans for the construction of academic facilities, the Commissioner may insure the payment of interest and principal on such loans if such institutions and agencies meet, with respect to such loans, criteria prescribed by or under section 306 for the making of annual interest grants under such section.

"(b) No loan insurance under subsection (a) may apply to so much of the principal amount of any loan as exceeds 90 per centum of the development cost of the academic facility with respect to which such loan was made.

"RIGHT OF RECOVERY AND INCONTESTABLE NATURE OF INSURANCE

"SEC. 308. (a) The United States shall be entitled to recover from any institution or agency to which loan insurance has been issued under section 307 the amount of any payment made pursuant to that insurance, unless the Commissioner for good cause waives its right of recovery. Upon making any such payment, the United States shall be subrogated to all of the rights of the recipient of the payment with respect to which the payment was made.

"(b) Any insurance issued by the Commissioner pursuant to section 307 shall be incontestable in the hands of the institution or agency on whose behalf such insurance is issued, and as to any agency, organization, or individual who makes or contracts to make a loan to such institution or agency in reliance thereon, except for fraud or misrepresentation on the part of such institution or agency or on the part of the agency, organization, or individual who makes or contracts to make such loan.

"CONDITIONS

"SEC. 309. Insurance may be issued by the Commissioner under section 307 only if he determines that the terms, conditions, maturity, security (if any), and schedule and amounts of repayments with respect to the loan are sufficient to protect the financial interests of the United States and are otherwise reasonable and in accord with regulations, including a determination that the rate of interest does not exceed such per centum per annum on the principal obligation outstanding as the Commissioner determines to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and the risks assumed by the United States. The Commissioner may charge a premium for such insurance in an amount reasonably determined by him to be necessary to cover administrative expenses and probable losses under sections 307 and 308. Such insurance shall be subject to such further terms and conditions as the Commissioner determines to be necessary."

MAKING REVOLVING LOAN FUND AVAILABLE FOR LOAN INSURANCE

SEC. 803. (a) Section 305 of such Act is amended—

(1) by striking out the heading therefor and inserting "Revolving Loan and insurance Fund" in lieu thereof;

(2) by inserting "and loan insurance" immediately after "academic facilities loans" in the first sentence thereof; and

(3) by inserting "or loan insurance" immediately following "any loans" in the second sentence thereof.

(b) Section 303(c) of such Act is amended—

(1) by inserting "and may insure loans" immediately after "academic facilities" in the first sentence thereof:

(2) by inserting "and for issuing such insurance" immediately after "such loans" in the third sentence thereof; and

(3) by inserting "and for insurance" immediately after "for loans" in the last sentence thereof.

EFFECTIVE DATE

SEC. 804. The amendments made by sections 801 and 802 shall be effective July 1, 1971, and the amendments made by section 803 shall be effective as if enacted on the date of enactment of section 305 of such Higher Education Facilities Act.

TITLE IX—EXTENSION OF PROGRAM UNDER TITLE VI OF NATIONAL DEFENSE EDUCATION ACT

SEC. 901. Title VI of the National Defense Education Act of 1958 is amended—

(a) in section 601 by striking out "1971" both places it appears and by inserting in lieu thereof "1973"; and

(b) in section 603 by striking out "and" before "$38,500,000" and by inserting "and such sums as may be necessary for each of the next two fiscal years" immediately after "June 30, 1971,".

EFFECTIVE DATE

SEC. 902. The amendments made by section 901 shall be effective July 1, 1971.

TITLE X—NONDISCRIMINATION ON THE GROUND OF SEX IN FEDERALLY ASSISTED EDUCATION PROGRAMS

DISCRIMINATION PROHIBITED

SEC. 1001. (a) No person in the United States shall, on the ground of sex, be discriminated against by a recipient of Federal financial assistance for any education program or activity. The preceding sentence shall not, however, preclude differential treatment based upon sex where sex is a bona fide ground for such differential treatment.

(b) No recipient of Federal financial assistance for an education program or activity shall, because of an individual's sex—

(1) discharge that individual, fail or refuse to hire (except in instances where sex is a bona fide occupational qualification) that individual, or otherwise discriminate against him or her with respect to compensation, terms, conditions, or privileges of employment; or

(2) limit, segregate, or classify employees in any way which would deprive or tend to deprive that individual of employment opportunities or otherwise adversely affect his or her status as an employee.

ENFORCEMENT

SEC. 1002. (a) Each Federal department and agency which is empowered to extend Federal financial assistance to any education program or activity, by way of grant, loan, or contract other than a contract of insurance or guaranty, is authorized and directed to effectuate the provisions of section 1001 with respect to such program or activity by issuing rules, regulations, or orders of general applicability which shall be consistent with achievement of the objectives of the statute authorizing the financial assistance in connection with which the action is taken. No such rule, regulation, or order shall become effective unless and until approved by the President.

(b) Compliance with any requirement adopted pursuant to subsection (a) may be effected (1) by the termination of or refusal to grant or to continue assistance to any recipient as to whom there has been an express finding on the record, after opportunity for hearing, of a failure to comply with such requirement, but such termination or refusal shall be limited to the particular political entity, or part thereof, or other recipient as to whom such a finding has been made and such noncompliance has been so found, or (2) by any other means authorized by law: *Provided, however*, That no such action shall be taken until the department or agency concerned has advised the appropriate person or persons of the failure to comply with the requirement and has determined that compliance cannot be secured by voluntary means.

(c) In the case of any action terminating, or refusing to grant or continue, assistance because of failure to comply with a requirement imposed pursuant to subsection (a), the head of the Federal department or agency shall file with the committees of the House and Senate having legislative jurisdiction over the program or activity involved a full written report of the circumstances and the grounds for such action. No such action shall become effective until thirty days have elapsed after the filing of such report.

JUDICIAL REVIEW

SEC. 1003. Any department or agency action taken pursuant to section 1002 shall be subject to such judicial review as may otherwise be provided by law for similar action taken by such department or agency on other grounds. In the case of action, not otherwise subject to judicial review, terminating or refusing to grant or to continue financial assistance upon a finding of failure to comply with any requirement imposed pursuant to section 1002, any person aggrieved (including any State or political subdivision thereof and any agency of either) may obtain judicial review of such action in accordance with chapter 7 of title 5, United States Code, and such action shall not be deemed committed to unreviewable agency discretion within the meaning of the chapter.

PRESERVATION OF EXISTING AUTHORITY

SEC. 1004. Nothing in this title shall add to or detract from any existing authority with respect to any education program or activity under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

DEFINITION

SEC. 1005. For the purposes of this title, the term "education" includes preschool, elementary, secondary, and postsecondary education.

[H.R. 5192, 92d Cong., first sess.]

A BILL To establish a National Foundation for Higher Education, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Foundation for Higher Education Act of 1971".

ESTABLISHMENT OF NATIONAL FOUNDATION FOR HIGHER EDUCATION

SEC. 2. There is established in the Department of Health, Education, and Welfare a National Foundation for Higher Education (hereinafter referred to as the "Foundation"). The President shall appoint, with the advice and consent of the Senate, a Director of the Foundation (hereinafter in this Act referred to as the "Director") who shall perform such duties in carrying out this Act as are prescribed by the Secretary of Health, Education, and Welfare (hereinafter in this Act referred to as the "Secretary").

PURPOSES OF THE FOUNDATION

SEC. 3. The purposes of the Foundation are—

(1) to encourage excellence, innovation, and reform in postsecondary education;

(2) to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein;

(3) to expand the ways and patterns of acquiring postsecondary education and to open opportunities for such education to individuals of all ages and circumstances;

(4) to strengthen the autonomy, individuality, and sense of mission of postsecondary educational institutions, and to support programs which are distinctive or of special value to American society; and

(5) to encourage postsecondary educational institutions to develop policies, programs, and practices responsive to social needs, and to provide an organization concerned with the rationalization of public policies toward postsecondary education.

HIGHER EDUCATIONAL FOUNDATION BOARD

SEC. 4. (a) The President shall appoint, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, a Higher Education Foundation Board (hereinafter in this Act referred to as the "Board") which shall—

(1) advise the Secretary and the Director with respect to matters of general policy arising in the administration of this Act and programs to be carried out by the Foundation; and

(2) prepare an annual report to the Secretary on the current status and needs of postsecondary education in the United States, which the Secretary shall transmit to the President with such recommendations as he may make.

(b) The Board shall consist of the Director, ex officio, and eighteen members who shall be broadly representative of the general public as well as the education community. The members of the Board shall be appointed for terms of three years; except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (2) the terms of office of the members first taking office shall begin upon enactment of this Act, and shall expire as designated at the time of appointment, six at the end of three years, six at the end of two years, and six at the end of the first year. One of the members shall be designated by the President as Chairman. Members of the Board who are not regular full-time employees of the United States shall, while serving on the business of the Board, be entitled to receive compensation at rates to be determined by the Secretary, but not exceeding the per diem equivalent for GS-18 for each day so engaged, including traveltime, and, while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

ASSISTANCE

SEC. 5. (a) The Secretary is authorized to make grants to or contracts with any public or private agency, organization, or institution, any combination thereof, or any individual, in order to achieve the purposes of the Foundation, except that no grant may be made to a private agency, organization, or institution other than a nonprofit one. Such assistance may be given to support activities designed to achieve the purposes of this Act, including—

(1) the creation of institutions and programs involving new paths to career and professional training, and new combinations of academic and experiential learning;

(2) the establishment of institutions and programs based on the technology of communications;

(3) the carrying out in postsecondary educational institutions of changes in internal structure and operations designed to clarify institutional priorities and purposes;

(4) the design and introduction of cost-effective methods of instruction and operation;

(5) the introduction of institutional reforms designed to expand individual opportunities for entering and reentering institutions and pursuing programs of study tailored to individual needs;

(6) the introduction of reforms in graduate education, in the structure of academic professions, and in the recruitment and retention of facilities;

(7) the creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto;

(8) the development or revitalization of educational and training programs of national importance; and

(9) the alteration or remodeling of buildings to the extent necessary to achieve the objectives of any other activity assisted under this section.

(b) The Secretary is similarly authorized to make grants or contracts for the purpose of assisting in carrying out studies in the field of postsecondary education, including studies related to postsecondary education finance, organization, and management.

FELLOWSHIPS

SEC. 6. The Secretary is authorized where appropriate and necessary to carry out the purposes of this Act, to award fellowships and to pay to fellowship holders stipends (including allowances for subsistence and other expenses for themselves and their dependents) for stated periods of time.

GENERAL AUTHORITY

SEC. 7. In carrying out this Act, the Secretary shall have the authority—

(1) to enter into contracts without performance or other bonds, and without regard to section 3709 of the Revised Statutes (41 U.S.C. 5);

(2) to make advance, progress, and other payments without regard to the provisions of section 3648 of the Revised Statutes (31 U.S.C. 529);

(3) to receive money and other property donated, bequeathed, or devised to the Foundation with or without a condition or restriction, including a condition that the Foundation use other funds for the purposes of the gift; and to use, sell, or otherwise dispose of such property for the purposes of this Act;

(4) to publish or arrange for the publication of information without regard to the provisions of section 501 of title 44, United States Code;

(5) to accept and utilize the services of voluntary and uncompensated personnel, nothwithstanding the provisions of section 3679(b) of the Revised Statutes (31 U.S.C. 665(b)), and to provide transportation and subsistence as authorized by section 5703 of title 5, United States Code, for persons serving without compensation; and

(6) to arrange with and reimburse the heads of other Federal agencies for the performance of any activity which the Foundation is authorized to conduct.

MISCELLANEOUS PROVISIONS

SEC. 8. (a) The Secretary may appoint and compensate without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and chapter 51 and subchapter III of chapter 53 of such title, relating to classification and general schedule rates, such technical and professional personnel as he deems necessary to accomplish the functions of the Foundation.

(b) Funds available under this Act shall be available for transfer to any other Federal department or agency (including constituent agencies of the Department of Health, Education, and Welfare) for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds could be otherwise expended by the Secretary under this Act, and the Secretary is likewise authorized to accept and expend funds of any other Federal agency for use under this Act.

(c) All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary of Labor shall have with respect to the labor standards specified in this section the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 50 U.S.C. 133z-15) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276(c)).

JOINT FUNDING

SEC. 9. Pursuant to regulations prescribed by the President, where funds are advanced by the Foundation and one or more other Federal agencies (including any other part of the Department of Health, Education, and Welfare) for any activity assisted under this Act, any one Federal agency may be designated to act for all in administering the funds advanced. In such cases, any such agency may waive any technical grant or contract requirement (as defined by such regulations) which is inconsistent with the similar requirements of the administering agency or which the administering agency does not impose.

AMENDMENTS TO EXECUTIVE SCHEDULE

SEC. 10. (a) Section 5316 of title 5, United States Code, relating to positions at level V of the Executive Schedule, is amended by striking out "(41) Commissioner of Education, Department of Health, Education, and Welfare." and by inserting "(41) Director, National Foundation for Higher Education, Department of Health, Education, and Welfare." in lieu thereof.

(b) Section 5315 of such title, relating to positions at level IV of the Executive Schedule, is amended by adding the following paragraph at the end thereof:

"Commissioner of Education, Department of Health, Education, and Welfare".

AVAILABILITY OF APPROPRIATIONS

SEC. 11. Funds appropriated to carry out this Act shall remain available until expended.

[H.R. 5193, 92d Cong., first sess.]

A BILL To promote higher education throughout the Nation by providing general assistance to colleges and universities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education General Assistance Act of 1971".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. The Congress hereby finds and declares that—

(1) institutions of higher education are a national resource contributing to our economic growth and cultural development;

(2) colleges and universities need and deserve general financial assistance from the Federal Government to supplement their other sources of income in order to advance quality higher education in the United States; and

(3) the Nation's tradition of diversity among its institutions of higher education should be maintained and not endangered directly or indirectly by Federal programs.

AUTHORIZATION OF APPROPRIATIONS

SEC. 3. (a) There is hereby authorized to be appropriated for the fiscal year ending June 30, 1972, and each of the four succeeding fiscal years, such sums as may be necessary to carry out the program of general assistance to institutions of higher education under this Act.

(b) Of the sums appropriated under subsection (a) to carry out this Act for any fiscal year—

(1) 20 per centum shall be available only for the program of general assistance to community or junior colleges and certain other institutions as provided by section 5, and

(2) the remainder shall be available for the program of general assistance to institutions of higher education (other than community or junior colleges) as provided by section 4.

GENERAL ASSISTANCE TO BACCALAUREATE DEGREE GRANTING INSTITUTIONS

SEC. 4. (a)(1) From the sums available under section 3(b)(2) to carry out this section for a fiscal year, the Secretary is authorized to make a general assistance grant for such fiscal year to each institution of higher education (other than a community or junior college) in an amount determined under paragraph (2). Such a grant may be made only if any application therefor has been approved in accordance with section 6.

(2) Subject to paragraph (3), the amount of the grant to which an institution is entitled under this subsection for a fiscal year shall be based on the number of baccalaureate degrees awarded by such institution during the preceding fiscal year and shall be determined in accordance with the following table:

If the number of baccalaureate degrees awarded was—	*The amount of the grant is—*
Not over 200	$500 for each degree.
Over 200 but not over 500	$100,000 plus $400 for each degree in excess of 200.
Over 500 but not over 1,000	$220,000 plus $300 for each degree in excess of 500.
Over 1,000 but not over 2,000	$370,000 plus $200 for each degree in excess of 1,000.
Over 2,000	$570,000 plus $100 for each degree in excess of 2,000.

(3) In the case of an institution of higher education almost all of whose undergraduate students are those who are in the last two years of study before the award of a baccalaureate degree, the Commissioner shall make appropriate reductions in the grant entitlements of such institutions below those specified in paragraph (2), but not beneath one-half of the amount so specified.

(b) If the sums appropriated for any fiscal year for making grants under this section are not sufficient to pay in full the total amounts that all institutions of higher education are entitled to receive under subsection (a), the grant to each such institution shall be an amount which bears the same ratio to the amount to which it is entitled under subsection (a) as such sums appropriated bear to the total amounts all institutions are entitled to receive under subsection (a).

GENERAL ASSISTANCE TO COMMUNITY COLLEGES AND OTHER INSTITUTIONS WITH CAREER EDUCATION PROGRAMS

SEC. 5. (a) From the sums available under section 3(b)(1) to carry out this section for a fiscal year, the Secretary is authorized to make a general assistance grant to each community college, and to each institution of higher education (other than a community college) carrying on a career education program, in an amount determined under subsection (b). Such a grant may be made only if an application therefor has been approved in accordance with section 6.

(b) The amount of the grant to which an eligible applicant is entitled under this section for a fiscal year is an amount which bears the same ratio to the sums available to carry out this section for a fiscal year as the full-time equivalent enrollment of the applicant in the case of a community college, or, in the case of an applicant which is an institution of higher education other than a community college, the full-time equivalent enrollment in its career education programs in the case of an institution of higher education other than a community college bears to the full-time equivalent enrollment in all community colleges and in all career education programs of institutions of higher education other than community colleges which are entitled to a grant under this section for such year.

(c). For purposes of this section, the term "full-time equivalent enrollment" means the average full-time equivalent enrollment in regularly established degree, degree-credit, certificate, or career education programs, determined under regulations of the Secretary, of the first day on which classes are held in the months of November and May of the fiscal year preceding the fiscal year for which the grant is made, except that if necessary the Secretary may make such determinations for the first fiscal year during which this Act is in effect on the basis of the best information available to him.

APPLICATIONS

Sec. 6. An institution of higher education may receive a grant under section 4 or 5 only if it submits an application therefor at such time and in such manner as the Secretary shall prescribe by regulations. The application may be approved if the Secretary determines that the application—

(1) provides satisfactory assurance that—

(A) the proceeds of the grant will be used for educationally related programs of the applicant institution,

(B) the applicant will expend during the fiscal year for which the grant is requested (from funds other than funds received under this Act) for all academically related programs of such institution an amount not less than the average annual amount it expended for such programs for the two fiscal years preceding the fiscal year for which the grant is requested, and

(C) the applicant will make such reports as the Secretary may require, including a summary report describing how the grant was expended; and

(2) contains such provisions as the Secretary may require by regulation in order to protect the financial interest of the United States.

The Secretary may waive the requirements of paragraph (1) (B) for any institution for any fiscal year if he determines such waiver would promote the purposes of this Act.

ADMINISTRATION

Sec. 7. (a) The provisions of the General Education Provisions Act (title IV of Public Law 90-247 as amended by title IV of Public Law 91-230) shall apply to the program authorized under this Act as if such program were an applicable program under such General Education Provisions Act, and the Secretary shall have the authority vested in the Commissioner of Education by such Act with respect to such program.

(b) Section 422 of such General Education Provisions Act is amended by inserting "the Higher Education General Assistance Act of 1971;" after "the International Education Act of 1966;".

LIMITATIONS

Sec. 8. No grant under this Act may be made to, or used to support, a school or department of divinity. For purposes of this section, the term "school or department of divinity" means an institution or department or branch of an institution whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

DEFINITIONS

Sec. 9. For purposes of this Act:

(1) The term "institution of higher education" means an institution described in the first sentence of section 1201 (a) of the Higher Education Act of 1965. A branch of an institution of higher education which is located in a community different from that of its parent institution shall be treated as a separate institution.

(2) The term "community college" means an institution of higher education or branch thereof that is organized and administered principally to provide (A) a two-year program that is acceptable for full credit toward a baccalaureate degree but which does not grant such a degree, (B) a two-year program that is designed to prepare the student to work as a technician or at a semiprofessional level in a technological or other field, or (C) any career education program. If such institution is a branch of an institution of higher education offering four or more years of higher education, such institution shall be considered to be a community college only if it is located in a community different from that in which its parent institution is located.

(3) The term "Secretary" means the Secretary of Health, Education, and Welfare.

(4) The term "baccalaureate degree" means an undergraduate degree which normally requires at least four but not more than five years of full-time enrollment in an academic program for credit.

(5) The term "career education program" means, in accordance with regulations prescribed by the Secretary, an instructional program, carried on at the postsecondary level, which is designed to prepare participants for entry into, or advancement in, positions of gainful employment that require postsecondary training, and, in the case of a baccalaureate degree granting institution of higher education, a program which is not acceptable for credit toward a baccalaureate degree.

[H.R. 7248, 92d Cong. first sess.]

A BILL To amend and extend the Higher Education Act of 1965 and other Acts dealing with higher education

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Act of 1971."

TITLE I—EXTENSION OF COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS

SEC. 101. Section 101 of the Higher Education Act of 1965 is amended by striking out "and" and by inserting after "June 30, 1971" the following: ", and such sums as may be necessary for each of the five succeeding fiscal years".

TITLE II—EXTENSION AND AMENDMENT OF PROGRAMS OF COLLEGE LIBRARY ASSISTANCE AND LIBRARY TRAINING AND RESEARCH

"SEC. 201. (a) Section 201 of the Higher Education Act of 1965 is amended by striking out "and" after "1970," and inserting after "1971," the following: 'and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

(b) Section 202(a) of such Act is amended by inserting before "and (2)" the following: "except that under special and unusual circumstances the Commissioner is authorized to waive this requirement,".

(c) Section 202(b) of such Act is amended by inserting immediately preceding the semicolon at the end thereof the following: ", except that under special and unusual circumstances the Commissioner is authorized to waive this requirement."

(d) Section 203(a) of Such Act is amended by striking out "$10" and inserting in lieu thereof "$20".

(e) Section 204(a)(2) of such Act is amended by striking out "and" immediately preceding "(C)", and inserting before the period at the end of the first sentence the following: ", and (D) to other public and private nonprofit library institutions which provide library and information services to institutions of higher education on a formal, cooperative basis".

(f) Section 221 of such Act is amended to read as follows:

"APPROPRIATIONS AUTHORIZED

"SEC. 221. Only for the purpose of carrying out training programs under this part, there are authorized to be appropriated such sums as may be necessary for the fiscal year 1972 and each succeeding fiscal year ending prior to July 1, 1976.

~~In addition only for~~ the purpose of ~~carrying out research and demonstration pro~~grams under this part, there are authorized to be appropriated $5,000,000 for the fiscal year 1972, $10,000,000 for the fiscal year 1973, $20,000,000 for the fiscal year 1974, $35,000,000 for the fiscal year 1975, and $50,000,000 for the fiscal year 1976."

(g) Subsection (b) of section 223 of such Act is amended by inserting after "institution of higher education" the following: "and other library and educational organizations or agencies".

(h) (1) Section 231 of such Act is amended by striking out "and" after "1969," and inserting before "to enable the Commissioner," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

(2) Part C of such Act is further amended by adding at the end thereof the following new section:

"EVALUATION AND REPORT

"SEC. 232. No later than March 31 of each calendar year the Librarian of the Congress shall transmit to the respective committees of the Congress having legislative jurisdiction over this part and to the respective Committees on Appropriations of the Congress a report evaluating the results and effectiveness of acquisition and cataloging work done under this part, based to the maximum extent practicable on objective measurements, including costs, together with recommendations as to proposed legislative action."

(i) The amendments made by this title shall become effective July 1, 1971.

TITLE III—EXTENSION OF PROGRAMS TO STRENGTHEN DEVELOPING INSTITUTIONS

SEC. 301. Section 301(b)(1) of the Higher Education Act of 1965 is amended by striking out "and" after "1970," and by inserting after "June 30, 1971," the following: "and the sum of $120,000,000 for the fiscal year 1972, and for each succeeding fiscal year ending prior to July 1, 1976,".

AMENDMENT OF PROVISIONS RELATING TO DEVELOPING INSTITUTIONS

SEC. 302(a) Section 302(d) of the Higher Education Act of 1965 is amended by inserting before "has met" the following: "if it is an institution which provides an educational program for which it awards a bachelor's degree,".

(b) Section 306 of such Act is amended by striking out "(other than developing institutions)".

(c) Section 304(b) is amended by inserting "and" at the end of paragraph (1); by striking out paragraphs (3) and (4); and by amending paragraph (2) thereof to read as follows:

"(2) meets the requirements of section 1511."

TITLE IV—STUDENT ASSISTANCE

PART A—AMENDMENT AND EXTENSION OF EDUCATIONAL OPPORTUNITY GRANT PROGRAM

SEC. 401. (a) Part A of title IV of the Higher Education Act of 1965 is amended to read as follows:

"PART A—EDUCATIONAL OPPORTUNITY GRANTS

"SUBPART 2—GRANTS FOR STUDENTS OF EXCEPTIONAL FINANCIAL NEED

"STATEMENT OF PURPOSE AND APPROPRIATIONS AUTHORIZED

"SEC. 401 (a) It is the purpose of this subpart to provide, through institutions of higher education, educational opportunity grants to assist in making available the benefits of higher education to qualified high school graduates of exceptional financial need, who for lack of financial means would be unable to obtain such benefits without such aid.

"(b) There are hereby authorized to be appropriated $295,000,000 for the fiscal year 1972 and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976, to enable the Commissioner to make payments to institutions of higher education that have agreements with him entered into under section 407, for use by such institutions for payments to undergraduate students for educational opportunity grants under this subpart. Sums appropriated pursuant to this subsection for any fiscal year shall be available for payment to institutions until the close of the fiscal year succeeding the fiscal year for which they were appropriated.

"DETERMINATION OF AMOUNT OF EDUCATIONAL OPPORTUNITY GRANTS

"SEC. 402. From the funds received by it for such purpose under this subpart, an institution which awards an educational opportunity grant to a student for an academic year under this subpart shall, for such year, pay to that student the amount determined by the institution for such student for that year, except that no student shall be paid during all the academic years he is pursuing his undergraduate course of study at one or more institutions of higher education in excess of $4,000, or $5,000 in the case referred to in the second sentence of section 403. Each participating institution shall, subject to the foregoing limitations, prescribe basic criteria or schedules (or both) for the determination of the amount of any such educational opportunity grant, taking into account the objective of limiting grant aid under this subpart to students of exceptional financial need who but for such aid would be unable to obtain the benefits of higher education, but such criteria and schedules shall not disqualify an applicant on account of his earned income if income from other sources in the amount of such earned income would not disqualify him. An individual who has, in years prior to the effective date of the Higher Education Act of 1971, been awarded an educational opportunity grant pursuant to this part shall continue to be eligible to receive a grant in accordance with the requirements of this part as in effect at the time of the initial grant.

"DURATION OF PERIOD OF ELIGIBILITY FOR EDUCATIONAL OPPORTUNITY GRANTS

"SEC. 403. A student eligible therefor may be awarded an educational opportunity grant under this subpart for each academic year of the period required for completion by the recipient of his undergraduate course of study at the institutions of higher education from which he received the educational opportunity grant, except that such period shall not exceed four academic years. The eligibility of a student for an educational opportunity grant may, in accordance with regulations of the Commissioner, be extended for up to an additional academic year where five academic years is the normal period needed to complete the course of study the student is pursuing or where the student, because of his particular circumstances, is determined by the institution to need an additional year to complete a course of study normally requiring four academic years.

"SELECTION OF RECIPIENTS OF EDUCATIONAL OPPORTUNITY GRANTS

"SEC. 404. (a) An individual shall be eligible for the award of an educational opportunity grant under this part at any institution of higher education which has made an agreement with the Commissioner pursuant to section 407 (which institution is hereinafter in this part referred to as an "eligible institution"), if the individual makes application at the time and in the manner prescribed by that institution.

"(b) From among those eligible for educational opportunity grants from an institution of higher education for each fiscal year, the institution shall, in accordance with the provisions of its agreement with the Commissioner under section 407 and within the amount allocated to the institution for that purpose for that year under section 406, select individuals who are to be awarded such grants and determine, pursuant to section 402, the amounts to be paid to them. An institution shall not award an educational opportunity grant to an individual unless it determines that—

"(1) he has been accepted for enrollment as a full-time or part-time student at such institution or, in the case of a student already attending such institution, is in good standing and in full-time or part-time attendance there as an undergraduate student;

"(2) he shows evidence of academic or creative promise and capability of maintaining good standing in his course of study; and

"(3) he is of exceptional financial need and would not, but for an educational opportunity grant, be financially able to pursue a course of study at such institution of higher education. In determining financial need, expected family contributions shall be considered to be the contribution expected in the specific circumstances of the applicant, as determined by the student financial aid officer. Any calculation of the ability of a family to contribute shall include consideration of (A) family assets, (B) value of any social welfare services provided to the family by public or private agencies, (C) number of children in the family, (D) number of school children attending institutions of higher education, (E) any catastrophic illnesses in the family, (F) business failures, and other circumstances affecting the student's financial need.

"ALLOTMENT OF EDUCATIONAL OPPORTUNITY GRANT FUNDS AMONG STATES

"SEC. 405. The Commissioner shall allot funds appropriated pursuant to section 401 among the States in accordance with section 465."

"ALLOCATION OF ALLOTTED FUNDS TO INSTITUTIONS

"SEC. 406. (a) The Commissioner shall from time to time set dates by which eligible institutions in any State must file applications for allocation, to such institutions, of educational opportunity grant funds from the allotment to that State (including any reallotment thereto) for any fiscal year in accordance with section 465(a), to be used for the purposes specified in the first sentence of section 401(b). Such allocations shall be made in accordance with criteria which the Commissioner shall establish and which shall be designed to achieve such distribution of such funds among eligible institutions within a State as will most effectively carry out the purposes of this subpart.

"(b) Payment shall be made from allocations under this section to institutions as needed.

"AGREEMENTS WITH INSTITUTIONS—CONDITIONS

"SEC. 407. An institution of higher education which desires to obtain funds for educational opportunity grants under this subpart, shall enter into an agreement with the Commissioner. Such agreement shall—

"(1) provide that funds received by the institution under this subpart will be used by it only for the purposes specified in, and in accordance with, the provisions of this subpart;

"(2) provide that in determining whether an individual meets the requirements of section 404(b) (3) the institution will consider such individual's income including as a part thereof any expected contribution from parents or others upon whom the student may rely for support;

"(3) provide that the institution, in cooperation with other institutions of higher education where appropriate, will make vigorous efforts to identify qualified youths of exceptional financial need and to encourage them to continue their education beyond secondary school through programs and activities such as—

"(A) establishing or strengthening close working relationships with secondary-school principals and guidance and counseling personnel with a view toward motivating students to complete secondary school and pursue post-secondary-school educational opportunities, and

"(B) making, to the extent feasible, conditional commitments for educational opportunity grants to qualified secondary school students, who but for such grants would be unable to obtain the benefits of higher education, with special emphasis on students enrolled in grade 11 or lower grades who show evidences of academic or creative promise;

"(4) provide assurance that the institution will continue to spend in its own scholarship and student-aid program, from sources other than funds received under this subpart, not less than the average expenditure per year made for that purpose during the most recent period of three fiscal years preceding the effective date of the agreement;

"(5) include provisions designed to make educational opportunity grants under this subpart reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof; and

"(6) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this subpart.

"DEFINITIONS

"SEC. 408. For the purposes of this subpart—

"(1) The term 'academic year' means an academic year or its equivalent, as defined in regulations of the Commissioner.

"(2) The term 'institution of higher education' includes a proprietary institution of higher education (as defined in section 461 of this Act).

"SUBPART 2—GRANTS FOR SELF-SUPPORTING STUDENTS

"STATEMENT OF PURPOSE; AUTHORIZATION OF APPROPRIATIONS

"SEC. 411. (a) It is the purpose of this subpart to provide, through institutions of higher education, educational opportunity grants in limited amounts to students who are required to pay Federal income taxes on their earned income while they are still pursuing their educational programs.

"(b) There are authorized to be appropriated for making grants under this subpart such sums as may be necessary for the fiscal year 1972, and each succeeding fiscal year ending prior to July 1, 1976.

"AMOUNT OF GRANTS

"SEC. 412. The amount of the educational opportunity grant for which a student is eligible under this subpart shall be equal to the tax which would be imposed on him under subtitle A of the Internal Revenue Code of 1954 for his last taxable year ending before the beginning of the academic year for which the grant is made if his earned income (as defined in section 911(b) of such Code) had been the only income which he received during such taxable year, except that (1) if he is married and filed a joint return for such year one-half of such earned income shall not be considered, and (2) a grant under this paragraph shall not exceed $400 for an academic year.

"ELIGIBLE STUDENTS

"SEC. 413. To be eligible for an educational opportunity grant under this subpart, an individual must be enrolled in, and in good standing in, a course at an institution of higher education for credit.

"ADMINISTRATION

"SEC. 414. The Commissioner is authorized to enter into agreements with institutions of higher education under which they will determine entitlement to, and the amount of, grants to be awarded under this subpart, and under which they will handle the disbursement of such grants. Determinations under such agreements by agents of such institution shall not be subject to question or disallowance by any other agency or any court if based upon statements contained in a sworn statement for students receiving the grant. Nothing in this section shall be deemed to exempt any such student from the application of section 1001 of title 18, United States Code.

"REDUCTION ON ACCOUNT OF INADEQUATE APPROPRIATIONS

"SEC. 415. In the event the amounts appropriated for a fiscal year for carrying out this subpart are inadequate to pay in full the amount of grants to which individuals are entitled hereunder, the grant to each such individual shall be reduced pro rata to the extent necessary in light of the funds available for such grants."

PART B—EXTENSION AND AMENDMENT OF STUDENT LOAN INSURANCE PROGRAM

EXTENSION OF STUDENT LOAN INSURANCE PROGRAM

SEC. 411. (a) The first sentence of section 424(a) of the Higher Education Act of 1965 is amended to read as follows: "The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $1,600,000,000 for the fiscal year 1972, $1,800,000,000 for the fiscal year 1973, $2,000,000,000 for the fiscal year 1974, $2,200,000,000 for the fiscal year 1975, and $2,400,000,000 for the fiscal year 1976."

(b) The second sentence of such section 424(a) is amended by striking out "1975" and inserting "1980".

(c) Section 428(a)(4) of such Act is amended by striking out "1971" and inserting "1976" and by striking out "1975" and inserting "1980".

(d) Section 433(c) of such Act is amended by striking out "for the fiscal year ending June 30, 1969, and for each of the two succeeding fiscal years" and inserting "for each fiscal year ending prior to July 1, 1976".

EXTENSION OF AUTHORITY FOR PAYING SPECIAL ALLOWANCES ON INSURED STUDENT LOANS

SEC. 412. Paragraph (7) of section 2(a) of the Emergency Insured Student Loan Act of 1969 Public Law 91–95) is amended by striking out "1971" and inserting "1976".

AMENDMENTS TO INTEREST SUBSIDY PROVISIONS

SEC. 413. (a) Paragraph (1) of subsection (a) of section 428 of the Higher Education Act of 1965 is amended to read as follows:

"(1) Each student who has received a loan for study at an eligible institution—

"(A) which is insured by the Commissioner under this part;

"(B) which was made under a State student loan program (meeting criteria prescribed by the Commissioner), and which was contracted for, and paid to the student, within the period specified by paragraph (4); or

"(C) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (4), and which—

"(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1) at an eligible institution, or

"(ii) in the case of a loan insured after June 30, 1967, is insured under a program covered by an agreement made pursuant to subsection (b),

and who has been determined by the eligible institution to be in need of the amount of such loan in order to pursue a course of study at such eligible institution and has provided the lender with a statement evidencing such determination, shall be entitled to have paid on his behalf and for his account to the holder of the loan, a portion of the interest on the loan. Such determination shall be made, and such statement shall be furnished, by the eligible institution, except that, in the case of eligible institutions located outside the United States such determination shall be made, and such statement furnished, in such manner as the Commissioner may prescribe. In addition, the Commissioner shall pay an administrative cost allowance in the amount established by paragraph (2)(B) of this subsection with respect to loans to any student without regard to the borrower's need. In the absence of fraud by the lender, such determination of the need of a student under this paragraph shall be final insofar as it concerns the obligation of the Commissioner to pay the holder of a loan a portion of the interest on the loan."

(b) Section 428(b)(1)(H) of such Act is amended to read as follows:

"(H) provides that the benefits of the loan insurance program will not be denied any student because of his family income or lack of need if the institution has furnished the lender with a statement under paragraph (1) of subsection (a) of this section that the student needs a loan to pursue his course of study at that institution;".

INCREASE IN LOAN CEILINGS

SEC. 414. (a) Subsection (a) of section 425 of the Higher Education Act of 1965 is amended (1) by striking out "$1,500" and inserting in lieu thereof the following: "$2,500, except in cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education" and (2) by striking out "$7,500" and inserting "$10,000".

(b) Clause (A) of section 428(b)(1) of such Act is amended (1) by striking out "$1,500" and inserting in lieu thereof the following: "$2,500 (except in those cases where the Commissioner determines, pursuant to regulations prescribed by him, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education)" and (2) by striking out "$7,500" and inserting "$10,000".

ALLOWANCES TO INSTITUTIONS FOR THEIR COSTS IN CONNECTION WITH THE INSURED STUDENT LOAN PROGRAM

SEC. 415. Section 428 of the Higher Education Act of 1965 is amended by adding at the end thereof the following:

"(f) The Commissioner may pay to each eligible institution an allowance for each fiscal year which may not exceed 1 per centum of the amount of loans made to students at that institution for that year which are insured (A) by the Commissioner under this part or (B) by a State or nonprofit private loan insurance program (covered at the time the loan was made) by an agreement under section 428(b)."

TECHNICAL AMENDMENTS

SEC. 416. (a) Section 437 of such Act is amended to read as follows:

"REPAYMENT BY THE COMMISSIONER OF LOANS OF DECEASED OR DISABLED BORROWERS

"SEC. 437. If a student borrower who has received a loan described in clause (A), (B), or (C) of section 428 (a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Commissioner), then the Commissioner shall discharge the borrower's liability on the loan by repaying the amount owed on the loan."

(b) Paragraph (1) of section 428(b) is amended (1) by striking out "and" at the end of clause (J) thereof, (2) by striking out the period at the end of clause (K) and inserting "; and" in lieu thereof, and (3) by adding at the end of such paragraph the following new clause:

> "(L) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid during any period (i) during which the borrower is pursuing a full-time course of study at an eligible institution, (ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964."

(c) Section 428(e) of such Act is repealed.

(d) Paragraph (1) of subsection (c) of such section 428 is amended by striking out "adjusted family income of the borrower" and inserting in lieu thereof "the borrower's lack of need".

DEFAULT OF STUDENTS UNDER FEDERAL LOAN INSURANCE PROGRAM

SEC. 417, (a)(1) Subsections (a) and (b) of section 430 of the Higher Education Act of 1965 are amended to read as follows:

"SEC. 430. (a) Upon default by the student borrower on any loan insured under this part and upon exhaustion of reasonable collection efforts, the insurance beneficiary may reduce the student's note to judgment and offer it to the Commissioner. The Commissioner shall accept such judgment and shall pay to the insurance beneficiary the amount of the loss sustained by the insured upon that note as soon as that amount has been determined, plus an amount to compensate the insured for the cost of reducing the note to judgment. Such cost, including attorney's fees, shall be an amount determined by the Commissioner to be the reasonable costs of suit, but in no event shall exceed actual costs. The Commissioner shall be subrogated to all rights under a judgment which he has accepted under this subsection. The "amount of the loss" on any loan shall, for purposes of this subsection, be deemed to be an amount equal to the unpaid balance of the principal amount of the loan (other than interest added to principal).

(2) Subsections (c), (d), and (e) of section 430 are renumbered (b), (c) and (d) respectively.

EFFECTIVE DATES

SEC. 418. (a) The amendments made by sections 412, 413, 414, 415, 416, and 417 of this Act shall not apply with respect to loans made prior to the sixtieth day after the date of enactment of this Act.

(b) The amendments made by such sections shall not be effective with respect to any loan made after the date of enactment of this Act, in whole or in part, to consolidate or convert a loan made or contracted for prior to the effective date of enactment of such sections.

PART C—EXTENSION AND AMENDMENT OF THE WORK-STUDY PROGRAM

STATEMENT OF PURPOSE

SEC. 421. Section 441(a) of the Higher Education Act of 1965 is amended by deleting ", particularly students from low-income families,".

APPROPRIATIONS AUTHORIZATION

SEC. 422. Section 441(b) of the Higher Education Act of 1964 is amended to read as follows:

"(b) There are authorized to be appropriated $330,000,000 for the fiscal year 1972, $360,000,000 for the fiscal year 1973, $390,000,000 for the fiscal year 1974, $420,000,000 for the fiscal year 1975, and $450,000,000 for the fiscal year 1976 to carry out this part."

REVISION OF STATE ALLOTMENT FORMULA

SEC. 423. (a) Section 442 of the Higher Education Act of 1965 is amended by redesignating subsection (e) as subsection (b), and by striking out subsections (a), (b), (c), and (d) and inserting in lieu thereof the following:

"SEC. 442. (a) From the sums appropriated to carry out this part, the Commissioner shall reserve the amount provided for in subsection (b) and shall allot the remainder among the States in accordance with section 465."

(b) The amendments made by this section shall become effective July 1, 1971.

AUTHORIZING PARTICIPATION OF HALF-TIME STUDENTS IN COLLEGE WORK STUDY PROGRAM

SEC. 423. Section 444(a)(3)(c) of the Higher Education Act of 1965 is amended (1) by striking out "full time" both times it appears, and (2) by inserting after "student at the institution" and after "attendance there" the following: "on at least a half-time basis".

CONDITIONS OF AGREEMENT

SEC. 424. (a) Section 444(a)(3) of the Higher Education Act of 1965 is amended by deleting "in the selection of students for employment under such work-study program preference shall be given to students from low income families and that".

(b) Section 444(a) of such Act is amended by striking out paragraph (4) and inserting in lieu thereof the following:

> "(4) provide that in institutions of higher education located in communities in which for such reasons as small population there are few opportunities for work study, such institution may, with notice to the Commissioner, award in the form of educational opportunity grants such part of the amount allocated to work study as he deems appropriate, to those who would be eligible for work study but are not eligible for educational opportunity grants under part A; and"

PART D—EXTENSION AND AMENDMENT OF COOPERATIVE EDUCATION PROGRAM

EXTENSION OF PROGRAM

SEC. 431. (a) Section 451(a) of the Higher Education Act of 1965 is amended by striking out "There are authorized to be appropriated $340,000 for the fiscal year ending June 30, 1969, $8,000,000 for the fiscal year ending June 30, 1970, and $10,000,000 for the fiscal year ending June 30, 1971," and inserting in lieu thereof "There are authorized to be appropriated such sums as may be necessary for the fiscal year 1972, and for each succeeding fiscal year ending prior to July 1, 1976,".

(b) The second sentence of such section 451(a) of such Act is repealed.

(c) Section 451(b) of such Act is amended by striking out "the fiscal year ending June 30, 1969, and for each of the two succeeding fiscal years," and inserting in lieu thereof "each fiscal year ending prior to July 1, 1976,".

NEW USE OF FUNDS

SEC. 432. (a) Section 451(b) of the Higher Education Act of 1965 is amended by inserting after "training" the following: ", demonstration,".

(b) Section 453 of such Act is amended by inserting immediately before "or for research" the following: "for projects demonstrating or exploring the feasibility or value of innovative methods of cooperative education,".

PART E—AMENDMENTS TO GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE

FORMULA FOR ALLOTTING STUDENT FINANCIAL ASSISTANCE FUNDS AMONG STATES

SEC. 441. (a) Part E of title IV of the Higher Education Act of 1965 is amended by inserting after section 464 the following new section:

"ALLOTMENT OF FUNDS TO STATES

"SEC. 465. (a) Subject to the provision of subsection (c) ninety per centum of the sums appropriated for a fiscal year (1) under section 401(b) of this Act, (2) under section 441(b) of this Act (after making the reservation provided for in section 442), or (3) under section 201 of the National Defense Education Act of 1958, for fiscal years ending before July 1, 1976, shall each be allotted by the Commissioner among the States as provided in subsection (b).

"(b) In allotting sums under subsection (a), the Commissioner shall allot not to exceed 2 per centum of each sum being allotted among Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs for the assistance for which the sum being allotted was appropriated. The remainder of each such sum shall be allotted as follows:

"(1) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of persons enrolled on a full-time basis in institutions of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States;

"(2) one-third shall be allotted by the Commissioner among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of high school graduates (as defined in section 103(d)(3) of the Higher Education Facilities Act of 1963) of such State bears to the total number of such high school graduates of all the States; and

"(3) one-third shall be allotted by him among the States so that the allotment to each State under this clause will be an amount which bears the same ratio to such one-third as the number of related children under eighteen years of age living in families with annual incomes of less than $3,000 in such State bears to the number of related children under eighteen years of age living in families with annual incomes of less than $3,000 in all the States.

"(c) In the event the allotment to a State for a fiscal year after the fiscal year 1971 from the appropriations described in clause (1), (2), or (3) of subsection (a) is less than the amount so allotted to such State from the amount so appropriated for the fiscal year 1971, such allotment to the State shall be increased to an amount equal to its allotment from such appropriation for the fiscal year 1971, and the total of the increases thereby required shall be derived by proportionately reducing the allotments of each of the remaining States, but with such adjustments as may be necessary to prevent the allotment from such appropriation to any State from being thereby reduced below its allotment from such appropriation for the fiscal year 1971.

"(d) The sums remaining after making the allotments provided for in the preceding subsections of this section shall be allotted among the States by the Commissioner in accordance with equitable criteria which he shall establish and which shall be designed to achieve a distribution of the sum being allotted among the States which will most effectively carry out the purpose for which the funds were appropriated. Sums allotted to a State under this subsection shall be consolidated with, and become a part of, its allotment of funds from the same appropriation under the preceding subsections of this section.

"(e) The portion of any State's allotment under subsections (a), (b), (c), and (d) of this section for a fiscal year which the Commissioner determines will not be required in the State for the purpose for which appropriated may be reallotted by the Commissioner from time to time, on such dates as he may fix, to other States in such manner as he determines will best assist in achieving the purpose for which the funds were appropriated.

"(f) For purposes of this section (other than subsection (g)), the term 'State' does not include Puerto Rico, Guam, the Virgin Islands, or the Trust Territory of the Pacific Islands.

"(g) Sums appropriated under section 201 of the National Defense Education Act of 1958 for a fiscal year ending after June 30, 1976, shall be allotted among the States in such manner as the Commissioner determines to be necessary to carry out the purpose for which such amounts were appropriated."

(b) The amendments made by this section shall become effective July 1, 1971.

TRANSFER OF FUNDS BETWEEN PROGRAMS

Sec. 442. (a) Effective with respect to fiscal years ending after June 30, 1971, subpart 1 of part E of title IV of the Higher Education Act of 1965 is amended by adding at the end thereof (after the section added by section 441) the following new sections:

"TRANSFERS BETWEEN PROGRAMS

"Sec. 466. The allotment of an institution of higher education for a fiscal year under section 405 or 442 of this Act, may be transferred to, and used for the purposes of, the institution's allotment under the other section within the discretion of such institution in order to offer an arrangement of types of aid, including institutional and State aid, which best fits the needs of each individual student. The Commissioner shall have no control over such transfer, except as specifically authorized, except for the collection and dissemination of information.

"LIMITATION ON AUTHORITY OF THE COMMISSIONER

"Sec. 467. (a) The Commissioner shall issue no rule, regulation, or guideline which restricts the freedom of an institution of higher education (acting through its student aid officer) to select for each student the particular types, or proportions, of student assistance to be provided him from funds available to the institution for educational opportunity grants, work-study, or student loans."

"(b) Nothing in this Act shall be deemed to limit the authority of any agency of a State or its political subdivisions to require the adoption of uniform criteria for the award of financial aid to students attending public institutions of higher education."

INAPPLICABILITY OF TRUTH IN LENDING ACT

Sec. 443. Section 104 of the Truth in Lending Act (15 U.S.C. 1603) is amended by adding the following new paragraph at the end thereof:

"(5) Loans to which title II of the National Defense Education Act of 1958, part B of title IV of the Higher Education Act of 1965, or part C of title VII of part B of title VIII of the Public Health Service Act are applicable."

PART F—SECONDARY MARKET AND WAREHOUSING

SEC. 451. Title IV of the Higher Education Act of 1965 is amended by adding at the end thereof the following new part F:

"PART F—STUDENT LOAN MARKETING ASSOCIATION

"DECLARATION OF PURPOSE

"SEC. 471. Congress hereby declares that it is the purpose of this part to establish a Government-sponsored private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for insured student loans and provide liquidity for student loan investments.

"CREATION OF AGENCY

"SEC. 472. (a) There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the 'Association'). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

"(b) The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"(c) There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare such sums as may be necessary for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association.

"BOARD OF DIRECTORS

"SEC. 473. (a) The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.

"(b) An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders under this Act, seven of educational institutions, and seven of the general public. The interim Board shall arrange for an initial offering of common and preferred stocks and take whatever other actions are necessary to proceed with the operations of the Association.

"(c) When in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors.

"(d) At the time the event described in subsection (c) has occurred, the interim Board shall turn over the affairs of the Association to the regular Board so chosen or appointed.

"(e) The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and until their successors have been elected. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

"(f) The Board of Directors shall meet at the call of its chairman. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such executive functions, powers and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"FUNCTIONS

"Sec. 474. (a) The Association is authorized, subject to the provisions of this part, pursuant to commitments or otherwise, to make advances on the security of, purchase, service, sell, or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured under this Act.

"(b) Any warehousing advance made under subsection (a) of this section shall not exceed 80 per centum of the face amount of an insured loan. The proceeds from any such advance shall be invested in additional insured student loans.

"COMMON STOCK

"Sec. 475. (a) The Association shall have common stock having a par value of $100 per share which may be issued only to lenders under part B of title IV of this Act, pertaining to Guaranteed Student Loans, who are qualified as insured lenders under such part.

"(b) Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of directors. Voting shall be by classes as described in section 473(c).

"(c) The common stock of the Association shall be transferable only as may be prescribed by regulations of the Secretary of Health, Education, and Welfare, and, as to the Association, only on the books of the Association. The Secretary of Health, Education, and Welfare shall prescribe the maximum number of shares of common stock the Association may issue and have outstanding at any one time.

"(d) To the extent that net income is earned and realized, subject to section 476(b) dividends may be declared on common stock by the Board of Directors. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of common stock, except that no such dividend shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"PREFERRED STOCK

"Sec. 476. (a) The Association is authorized, with the approval of the Secretary of Health, Education, and Welfare, to issue nonvoting preferred stock with a par value of $100 per share. Any preferred share issued shall be freely transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

"(b) The holders of the preferred shares shall be entitled to such rate of cumulative dividends and such shares shall be subject to such redemption or other conversion provisions, as may be provided for at the time of issuance. No dividends shall be payable on any share of common stock at any time when any dividend is due on any share of preferred stock and has not been paid.

"(c) In the event of any liquidation, dissolution, or winding up of the Association's business, the holders of the preferred shares shall be paid in full at par value thereof, plus all accrued dividends, before the holders of the common shares receive any payment.

"OBLIGATIONS

"Sec. 477. (a) The Association is authorized with the approval of the Secretary of Health, Education, and Welfare and the Secretary of the Treasury to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein.

"(b) The Secretary of Health, Education, and Welfare is authorized, on behalf of the United States, to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury.

"(c) To enable the Secretary of Health, Education, and Welfare to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary of Health, Education, and Welfare with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the months preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"GENERAL POWERS

"SEC. 478. The Association shall have power—

"(a) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(b) to adopt, alter, and use the corporate seal, which shall be judicially noticed;

"(c) to adopt, amend, and repeal by its board of directors bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(d) to conduct its business, carry on its operations, and have officers and exercise the power granted by this part in any State without regard to any qualification or similar statute in any State;

"(e) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(f) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(g) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(h) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries require bonds for them and fix the penalty thereof; and

"(i) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"AUDIT OF FINANCIAL TRANSACTIONS

"SEC. 479. (a) The financial transactions of the Association shall be audited by the Secretary of Health, Education, and Welfare in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as he may prescribe. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the Secretary shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Association and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians.

"(b) The expenses of any audit performed under the section shall be borne out of appropriations to the Department of Health, Education, and Welfare, and appropriations in such sums as may be necessary are authorized. The Association shall reimburse the Department for the full cost of such audit as billed therefor by the Secretary, and the Department shall deposit the sums as reimbursed into the Treasury as miscellaneous receipts.

"AUDIT REPORT TO CONGRESS

"SEC. 480. A report of each such audit for a fiscal year shall be made by the Secretary of Health, Education, and Welfare to the President and to the Congress not later than six months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the President and the Congress informed of the operations and financial condition of the Association, together with such recommendations with respect thereto as the Secretary may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary of the Treasury and to the Association.

"OBLIGATIONS AS LAWFUL INVESTMENT, ACCEPTANCE AS SECURITY

"SEC. 481. All obligations issued by the Association shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this part shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States. The Association shall, for the purposes of section 14(b)(2) of the Federal Reserve Act, be deemed to be an agency of the United States.

"PREPARATION OF OBLIGATIONS

"SEC. 482. In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

"ANNUAL REPORT

"SEC. 483. The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year.

"SEPARABILITY

"SEC. 484. If any provision of this part or the application thereof to any person or circumstance is held invalid, the validity of the remainder of the part, and the application of such provisions to other persons or circumstances, shall not be affected.".

AMENDMENTS RELATING TO FINANCIAL INSTITUTIONS

SEC. 452. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations or other instruments or securities of the Student Loan Marketing Association," immediately after "or obligations, participation, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,".

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following new paragraph:

"(14) Obligations of the Student Loan Marketing Association shall not be subject to any limitation based upon such capital and surplus."

(c) The first paragraph of section 5(c) of the Home Owners' Loan Act of 1933, as amended (12 U.S.C. 1464 (c)), is amended by inserting "or in obligations or other instruments or securities of the Student Loan Marketing Association;" in the second proviso immediately after "any political subdivision thereof".

(d) Section 8 (8)(E) of the Federal Credit Union Act, amended (12 U.S.C. 1757 (8)(E)), is amended by inserting before the semicolon at the end thereof the following: ", or in obligations or other instruments or securities of the Student Loan Marketing Association".

PART G—CONSOLIDATION OF TALENT SEARCH, UPWARD BOUND, AND SPECIAL SERVICES PROGRAMS

SEC. 461. Title IV of the Higher Education Act of 1965 is further amended by adding after part F the following new part.

"PART G—IDENTIFYING QUALIFIED LOW-INCOME STUDENTS; PREPARING THEM FOR POSTSECONDARY EDUCATION; SPECIAL SERVICES FOR SUCH STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"SEC. 491. (a) To assist in achieving the objectives of this part the Commissioner is authorized (without regard to section 3709 of the Revised Statues (41 U.S.C. 5))—

"(1) to make grants to, or contracts with, institutions of higher education and combinations of institutions of higher education for planning, developing, or carrying out one or more of the programs described in subsection (b),

"(2) to make grants to, or contracts with, public and private nonprofit agencies and organizations (including professional and scholarly associations) and to make contracts with public and private agencies and organizations for planning, developing, or carrying out Talent Search programs described in subsection (b)(1), and

"(3) in exceptional cases, to make grants to, or contracts with, secondary schools, and postsecondary educational institutions accredited by a State, for planning, developing, or carrying out Upward Bound programs described in subsection (b)(2).

No grant or contract for planning, developing, or carrying out a Talent Search program described in subsection (b)(1) may exceed $100,000 per year.

"(b) The programs referred to in subsection (a) are—

"(1) programs, to be known as 'Talent Search', designed to—

"(A) identify qualified youths of financial or cultural need with an exceptional potential for post-secondary educational training and encourage them to complete secondary school and undertake post-secondary educational training.

"(B) publicize existing forms of student financial aid, including aid furnished under this title, and

"(C) encourage secondary-school or college dropouts of demonstrated aptitude to reenter educational programs, including post-secondary-school programs;

"(2) programs, to be known as 'Upward Bound', (A) which are designed to generate skills and motivation necessary for success in education beyond high school and (B) in which enrollees from low-income backgrounds and with inadequate secondary-school preparation participate on a substantially full-time basis during all or part of the program; or

"(3) programs, to be known as 'Special Services for Disadvantaged Students', of remedial and other special services for students with academic potential (A) who are enrolled or accepted for enrollment at the institution which is the beneficiary of the grant or contract, and (B) who, by reason of deprived educational, cultural, or economic background, or physical handicap, are in need of such services to assist them to initiate, continue, or resume their postsecondary education.

"(c)(1) Upward Bound programs under paragraph (2) of subsection (b) must include arrangements to assure cooperation among one or more institutions of higher education and one or more secondary schools. Such program must include necessary health services. Enrollees in such programs may not receive stipends in excess of $30 per month. The Commissioner may, however, approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this section. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The cost of carrying out any such program may not exceed $150 per enrollee per month. Federal financial assistance by way of grant or contract for such a program may not be in excess of 80 per centum of the cost of carrying out such program. Such programs shall be carried on within the States.

"(2) Special Services for Disadvantaged Students programs carried on under paragraph (3) of subsection (b) may provide, among other things, for—

"(A) counseling, tutorial, or other educational services, including special summer programs, to remedy such students' academic deficiencies,

"(B) career guidance, placement, or other student personnel services to encourage or facilitate such students' continuance or reentrance in higher education programs, or

"(C) identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education.

"(d) There are authorized to be appropriated to carry out this section $10,000,000 in the fiscal year ending June 30, 1969 (of which $500,000 shall be available in connection with planning and related activities for Upward Bound programs described in subsection (b)(2)), $56,680,000 for the fiscal year ending June 30, 1970, $96,000,000 for the fiscal year ending June 30, 1971, and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976."

PART H—EXTENSION AND AMENDMENT OF TITLE II OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958

EXTENSION OF STUDENT LOAN PROGRAM

SEC. 471. The first sentence of section 201 of the National Defense Education Act of 1958 is amended to read as follows: "For the purpose of enabling the Commissioner to stimulate and assist in the establishment at institutions of higher education of funds for the making of low interest loans to students in need thereof to pursue their courses of study in such institutions, there are hereby authorized to be appropriated $425,000,000 for the fiscal year ending June 30, 1972, $475,000,000 for the fiscal year 1973, $575,000,000 for the fiscal year 1974, and $675,000,000 for the fiscal year 1975 and the succeeding fiscal year to carry out this part, and there are further authorized to be appropriated such sums for the fiscal year 1977, and each of the next three fiscal years as may be necessary to enable students who have received loans for school years ending prior to July 1, 1976, to continue or complete their education."

REVISION OF STATE ALLOTMENT FORMULA

SEC. 472. (a) Section 202 of the National Defense Education Act of 1958 is amended to read as follows:

"ALLOTMENTS TO STATES

"SEC. 202. The Commissioner shall allot funds appropriated pursuant to section 201 among the States in accordance with section 465 of the Higher Education Act of 1965."

(b) The amendment made by this section shall become effective July 1, 1971.

MODIFICATION OF LOAN LIMIT

SEC. 473. Section 205(a) of the National Defense Education Act of 1958 is amended to read as follows:

"SEC. 205. (a) The aggregate of the loans for all years made by an institution of higher education from loan funds established pursuant to agreements under this title may not exceed $10,000 in the case of any graduate or professional student (as defined by regulations of the Commissioner, and including any loans from such funds made to such person before he became a graduate or professional student), or $5,000 in the case of any other student."

ASSIGNMENT OF LOANS IN DEFAULT TO THE COMMISSIONER

SEC. 474. (a) Effective thirty days after the date of enactment of this Act, section 204 of the National Defense Education Act of 1958 is amended by striking out "and" at the end of paragraph (3), by renumbering paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following new paragraph:

"(4) provide that where a note or written agreement evidencing a loan has been in default for at least one hundred and eighty days despite due diligence on the part of the institution in making collection thereon, the institution may (A) assign its rights under such note or agreement to the United States, without recompense, and that in that event any sums collected on such a loan shall be deposited in the general fund of the Treasury, or (B) take appropriate legal action to reduce such note to judgment and assign its rights under such judgment to the United States, and that in that event the Commissioner will then pay an amount equal to the amount of the judgment to the institution for deposit in its student loan fund and that any sums collected on such judgment shall be deposited in the general fund of the Treasury; and".

INCREASE IN MINIMUM RATE OF REPAYMENT

SEC. 475. Section 205(b)(2)(F) of the National Defense Education Act of 1958 is amended by striking out "$15" and inserting "$30."

REIMBURSEMENT IN FULL TO COVER REDUCTIONS

SEC. 476. Section 208 of the National Defense Education Act of 1958 is amended to read as follows:

"PAYMENTS TO COVER REDUCTIONS IN AMOUNTS OF LOANS

"SEC. 208. In addition to the payments otherwise authorized to be made pursuant to this title, the Commissioner shall pay to the appropriate institution, at such time or times as he determines, an amount equal to the interest which, after the date of enactment of the Higher Education Act of 1971, has been prevented from accruing and the portion of the principal which has been canceled after such date of enactment on student loans pursuant to paragraph (3) of section 205(b) (and not previously paid under this section)."

REVISION OF PROVISION RELATING TO LOAN FORGIVENESS

SEC. 477. (a) Section 205(b)(3) of the National Defense Education Act of 1958 is amended to read as follows:

"(3) part or all of such loan may be canceled for certain service as a teacher, in accordance with section 208;".

(b) Section 208 of such Act is amended to read as follows:

"CANCELLATION FOR CERTAIN SERVICE AS A TEACHER

"SEC. 208. (a)(1) A percentage (specified in paragraph (2)) of the total amount of any loan made after June 30, 1971, from a student loan fund established under this title shall be canceled for each complete academic year of service by the borrower—

"(A) as a full-time teacher in an elementary or secondary school described in paragraph (3), or

"(B) as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system.

"(2) The percentage of a loan which may be canceled under paragraph (1) is 15 per centum for each academic year of such service. For purposes of determining years of service under this paragraph, an academic year for which the borrower received benefits of section 205(b)(3) (A) or (B) of this title (as in effect on June 30, 1972) shall be considered a year of service described in paragraph (1).

"(3) A teacher may receive cancellation of a loan under subparagraph (A) of paragraph (1) only for service in an academic year in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, as amended, and which for purposes of this paragraph and for that year had been determined by the Commissioner (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children described in clause (A), (B), or (C) of section 103(a)(2) of title I of the Elementary and Secondary Education Act of 1965, as amended (using a low-income factor of $3,000) exceeds 30 per centum of total enrollment of the school.

"(b) In the case of a loan made before July 1, 1971, not to exceed 50 per centum of such loan (1) shall be canceled for service as a full-time teacher in a public or other nonprofit elementary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States, at the rate of 10 per centum of the total amount of such loan for each complete academic year of such service, except that (A) such rate shall be 15 per centum for each complete academic year of service as a full-time teacher in a public or other nonprofit elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, as amended, and which for purposes of this paragraph and for that year has been determined by the Commissioner (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which there is a high concentration of students from low-income families, except that (unless all of the schools so determined are schools in which the enrollment of children described in clause (A), (B), or (C) of section 103(a)(2) of such title (using a low-income factor of $3,000) exceeds 50 per centum of the total enrollment of the school) the Commissioner shall not make such determination with respect to more than 25 per centum of the total of the public and other nonprofit elementary and secondary schools in any one State for any one year, (B) such rate shall be 15 per centum for each complete academic year of service as a full-time teacher of handicapped children (including mentally retarded, hard of hearing, deaf, speech impaired, visually handicapped, seriously emotionally disturbed, or other health impaired children who by reason thereof require special education) in a public or other nonprofit elementary or secondary school system, and (C) for the purposes of any cancellation pursuant to clause (A) or (B), an additional 50 per centum of any such loan may be canceled, and (2) shall be canceled for service after June 30, 1970, as a member of the Armed Forces of the United States at the rate of 12½ per centum of the total amount of such loan for each year of consecutive service, but only if such loan was made after April 13, 1970.

"(c)(1) If for any academic year any portion of a loan is canceled under subsection (a) or (b), the entire amount of interest on such loan which accrues for such year shall be canceled.

"(2) Nothing in this section shall authorize refunding any repayment of a loan.

"(3) For purposes of this section, the term 'academic year' means an academic year or its equivalent (as determined under regulations of the Commissioner).

"(d) In addition to the payments otherwise authorized to be made pursuant to this title, the Commissioner shall make an additional capital contribution for deposit in the student loan fund of the appropriate institution, at such time or times as he determines, of an amount equal to the interest which has been prevented from accruing and the portion of the principal which has been canceled pursuant to this section (and not previously paid pursuant to this subsection) on student loans made from such student loan fund."

EFFECTIVE DATE

SEC. 478. The amendments made by this part shall, except as otherwise provided, become effective July 1, 1972.

TITLE V—EXTENSION AND AMENDMENT OF EDUCATION PROFESSIONS DEVELOPMENT ACT

PART A—AMENDMENTS TO PART A OF TITLE V

EXTENSION OF NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT AND PROGRAM FOR ATTRACTING QUALIFIED PERSONNEL TO THE FIELD OF EDUCATION

SEC. 501. (a) Section 502(f) of the Higher Education Act of 1965 (the Education Professions Development Act) is amended by striking out "and" after "1968," and inserting before the period at the end thereof the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

(b) Section 504(b) of such Act is amended by striking out "and" after "1969," and by inserting before the period at the end thereof the following: ", and such sums as may be necessary for each succeding fiscal year ending prior to July 1, 1976".

PART B—AMENDMENTS TO SUBPART 1 OF PART B (TEACHERS CORPS)

EXTENSION OF PROGRAM

SEC. 511. Section 511(b) of the Higher Education Act of 1965 is amended (1) by striking out "and" after "1970," and by inserting after "June 30, 1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,", and (2) by striking out "1972" and inserting "1977".

AMENDMENTS TO SUBPART 2 OF PART B—ATTRACTING AND QUALIFYING TEACHERS TO ALLEVIATE TEACHER SHORTAGES

SEC. 521. Section 518(b) of the Higher Education Education Act of 1965 is amended by striking out "and" after "1969," and by inserting before the period at the end thereof the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

VOLUNTEER SERVICE PROGRAMS

SEC. 522. Section 518(a) of the Higher Education Act of 1965 is amended by striking out "the succeeding", and inserting in lieu thereof "each succeeding", and by striking out "and" before "(2)" and by inserting before the period at the end thereof the following: ", (3) encourage volunteers (including high school and college students) for service as part-time tutors or full-time instructional assistants for educationally disadvantaged children, (4) compensate such tutors and instructional assistants at such rates as the Commissioner may determine to be consistent wtih prevailing practices under comparable federally supported work-study programs, and (5) provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage".

INCREASE IN AMOUNT AVAILABLE FOR ADMINISTRATION

SEC. 523. Section 520(a)(2) of such Act is amended (1) by striking out "and (C)" and inserting in lieu thereof the following: "(C) programs of such agencies to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage, and (D)", (2) by striking out "3 per centum" and inserting in lieu thereof "5 per centum", and (3) by inserting before the semicolon: ", or $20,000, whichever is greater".

ELIMINATING CEILING ON AMOUNT FOR AIDES

SEC. 524. Section 520(a) of such Act is further amended by striking out paragraph (5) and redesignating paragraphs (6), (7), (8) and (9) as paragraphs (5), (6), (7), (8); and (5) thereof (as so redesignated) is amended by inserting after "because he" the following: "is teaching or".

Part C—Amendment to Part C

EXTENSION OF FELLOWSHIP PROGRAM

Sec. 531. Section 528 of the Higher Education Act of 1965 is amended by striking out "1971" each time it appears and inserting "1976".

Part D—Amendments to Part D Improving Training Opportunities for Non-Higher Education Personnel

Sec. 541. Section 532 of the Higher Education Act of 1965 is amended by striking out "and" after "1969," and inserting before the period at the end thereof the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

SUPPORT OF VOLUNTEER SERVICES PROGRAM

Sec. 542. Section 531(b) of such Act is amended by striking out the period at the end of paragraph (10) and inserting a semicolon, and by adding the following new paragraph at the end thereof:

> "(11) programs or projects to encourage volunteers (including high school and college students) for service as part time tutors or full time instructional assistants in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children;"

COMPENSATION OF TUTORS AND INSTRUCTIONAL ASSISTANTS

Sec. 543. Section 531(c) of such Act is amended by striking out "or" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting "; or", and by adding the following new paragraph after paragraph (2):

> "(3) compensating tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with the prevailing practices under comparable federally supported work-study programs."

DEVELOPING AND STRENGHTENING PROGRAMS FOR THE EDUCATION OF TEACHERS AND RELATED EDUCATIONAL PERSONNEL

Sec. 544. (a) Section 531(b) of such Act is further amended by adding the following new paragraph at the end thereof:

> "(12) programs or projects (including cooperative arrangments or consortia between institutions of higher education and junior and community colleges, or between such institutions and State or local education agencies and nonprofit education associations) for the development, expansion, or improvement of undergraduate programs for preparing educational personnel, including design, development, evaluation of exemplary undergraduate training programs, introduction of high quality and more effective curriculums and curricular materials, and the provision of increased opportunities for practical teaching experience for prospective teachers in elementary and secondary schools."

(b) Section 531(c) of such Act is further amended by adding the following new paragraph at the end thereof:

> "(4) projects or programs to develop, expand, or improve undergraduate and other programs for training educational personnel."

APPLICATION OF PART D TO INDIAN SCHOOLS

Sec. 545. Section 532 of the Higher Education Act of 1965 is amended by inserting "(a)" after "Sec. 532." and by inserting at the end thereof the following new subsection:

"(b) From the sums appropriated pursuant to subsection (a), the Commissioner may also make payments to the Secretary of the Interior to carry out the policy of this part with respect to persons preparing to serve as teachers of individuals on reservations serviced by elementary and secondary schools for Indian children operated or funded by the Department of the Interior. The terms upon which payments for that purpose may be made to the Secretary of the Interior shall be determined pursuant to such criteria as the Commissioner determines will best carry out the policy of this part".

PART E—AMENDMENTS TO PART E PROGRAMS OF TRAINING FOR HIGHER EDUCATION PERSONNEL/EXTENSION OF HIGHER EDUCATION PERSONNEL DEVELOPMENT

SEC. 551, Section 543 of the Higher Education Act of 1965 is amended by striking out "and" after "1969," and by inserting before the period at the end thereof the folowing: ", and such sums as may be necessary for each succeding fiscal year ending prior to July 1, 1976".

PART F—TRAINING AND DEVELOPMENT OF VOCATIONAL EDUCATION PERSONNEL

SEC. 561. Section 555 of the Higher Education Act of 1965 is amended by striking out "and" after "1969," and by inserting before the period at the end therof the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976".

TITLE VI—EXTENSION OR AMENDMENTS OF CERTAIN OTHER PROVISIONS OF LAW

EXTENSION OF TITLE III OF NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 601. (a) Section 301 of the National Defense Education Act of 1958 is amended by striking out "and" after "June 30, 1970," and by inserting after "June 30, 1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,", and by striking out "July 1. 1971" and inserting "July 1, 1976".

(b) Section 311 of such Act is amended to read as follows:

"APPROPRIATIONS AUTHORIZED

SEC. 311. There are authorized to be appropriated, for carrying out this part such sums as may be necessary for the fiscal year 1971, and each of the succeeding fiscal years ending prior to July 1, 1976."

EXTENSION OF TITLE IV OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 602. (a) The first sentence of section 402(a) of the National Defense Education Act of 1958 is amended by striking out "seven succeeding fiscal years" and inserting in lieu thereof "ten succeeding fiscal years".

(b) Section 403(a) of such Act is amended by striking out "eight".

EXTENSION OF TITLE VI OF NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 603. (a) Subsection (a) and subsection (b) of section 601 of the National Defense Education Act of 1958 are each amended by striking out "1971" and inserting "1976".

(b) Section 603 of such Act is amended by striking out "and" after "1970," and by inserting after "1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

EXTENSION OF THE INTERNATIONAL EDUCATION ACT OF 1966

SEC. 604. Section 105(a) of the International Education Act of 1966 is amended by striking out "and" after "1968," and by inserting after "1971" the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

WAIVER OF MATCHING REQUIREMENT IN CERTAIN CASES

SEC. 605. Part A of the General Education Provisions Act is amended by adding at the end thereof the following:

"MODIFICATIONS OF MATCHING REQUIREMENTS

"SEC. 407. Where a provision of law relating to an applicable program limits the amount of Federal assistance which may be made available for carrying out the program to a specified portion of the cost thereof or requires a specified non-Federal contribution with respect to the program, the Commissioner may approve assistance to institutions of higher education (as defined in section 1501(a) of the Higher Education Act of 1965) for such program in excess of the portion so specified, or a lesser non-Federal contribution than that so specified, if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of such applicable program."

EXTENSION OF PROGRAM TO ASSIST INSTITUTIONS IN THE ACQUISITION OF EQUIPMENT

SEC. 606. (a) Section 601(b) of the Higher Education Act of 1965 is amended by striking out "and" after "1969," and by inserting after "two succeeding fiscal years," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

(b) Section 601(c) of such Act is amended by striking out "two succeeding fiscal years" and inserting "seven succeeding fiscal years".

EXTENSION OF NETWORKS FOR KNOWLEDGE PROGRAM

SEC. 607. Section 802 of the Higher Education Act of 1965 is amended by striking out "and" after "1970," and by inserting after "June 30, 1971," the followng: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

EXTENSION OF PUBLIC SERVICE EDUCATION PROGRAMS

SEC. 608. Section 925 of the Higher Education Act of 1965 is amended by striking out "and" after "1970," and by inserting after "June 30, 1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

EXTENSION OF PROGRAMS FOR IMPROVEMENTS OF GRADUATE EDUCATION

SEC. 609. Section 1002(a) of the Higher Education Act of 1965 amended by striking out "and" after "1970," and inserting after "June 30, 1971," the following by : "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

EXTENSION OF LAW SCHOOL CLINICAL EXPERIENCE PROGRAM

SEC. 610. Section 1103 of the Higher Education Act of 1965 is amended by striking out "and" after "1969" and by inserting after "of the fiscal years ending June 30, 1970, and June 30, 1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,".

TITLE VII—HIGHER EDUCATION FACILITIES

PART A—EXTENSION OF HIGHER EDUCATION FACILITIES ACT OF 1963

EXTENSION OF UNDERGRADUATE FACILITIES CONSTRUCTION GRANT PROGRAM

SEC. 701. (a) Section 101(b) of the Higher Education Facilities Act of 1963 is amended (1) by striking out "and" after "1968," and inserting after "1971," the following: "and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976,", and (2) by striking out the second sentence thereof.

(b) Section 105(b) of such Act is amended by striking out "and" after "1966," and by inserting after "succeeding fiscal years" the following: ", and such sums as may be necessary for each succeeding fiscal year ending before July 1, 1976,".

EDUCATIONAL TELEVISION FACILITIES

SEC. 702. Section 106 of the Higher Education Facilities Act of 1963 is amended by inserting after the words "construction of an academic facility" the following: ", including educational television facilities on and off campus," and striking out "on the campus of such institution" wherever it appears.

EXTENSION OF GRADUATE FACILITIES CONSTRUCTION GRANT PROGRAM

Sec. 703. Section 201 of the Higher Education Facilities Act of 1963 is amended (1) by striking out "and" after "1967," and inserting after "1971" the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976," and (2) by striking out the third sentence thereof.

EXTENSION OF CONSTRUCTION LOANS AND ANNUAL INTEREST GRANT PROGRAMS

Sec. 704. Section 303(c) of the Higher Education Facilities Act of 1963 is amended (1) by striking out "and" after "1967," and inserting after "1971" the following: ", and such sums as may be necessary for each succeeding fiscal year ending prior to July 1, 1976," and (2) striking out the third sentence thereof.

EFFECTIVE DATE

Sec. 705. The amendments made by this part shall become effective July 1. 1971.

Part B—Mortgage Insurance for Academic Facilities

Sec. 711. (a) Title III of the Higher Education Facilities Act of 1963 is amended by adding at the end thereof the following new section:

"MORTGAGE INSURANCE FOR ACADEMIC FACILITIES

"Sec. 307. (a) It is the purpose of this section to assist and encourage the provision of urgently needed academic facilities for private nonprofit institutions of higher education.

"(b) For the purposes of this section the terms 'mortgage', 'mortgagor', 'mortgagee', 'maturity date', and 'State' shall have the meanings respectively set forth in section 207 of the National Housing Act.

"(c) The Secretary of Health, Education, and Welfare (hereinafter referred to as the 'Secretary') is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

"(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers an academic facility of a private nonprofit institution of higher education, including equipment to be used in its operation, with respect to which he has made a contract under section 306, subject to the following conditions:

"(1) The Secretary may in his discretion require the mortgagor to be regulated or restricted as to minimum charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgagor with respect to any of the foregoing matters, the Secretary may make such contracts with, and acquire for not to exceed $100 such stock or interest in, such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the Higher Education Facilities Insurance Fund (established by subsection (h)), and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the academic facility, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum on the principal obligation outstanding at any time as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has also received from the State commission certificate that the facility is consistent with and will not hinder the execution of the State plan provided for under title I of this Act.

"(e) The Secretary shall fix and collect premium charges for the insurance of mortgages under this section which shall be payable annually in advance by the mortgagee, either in cash or in debentures of the Higher Education Facilities Insurance Fund (established by subsection (h)) issued at par plus accrued interest. In the case of any mortgage such charge shall not be less than an amount equivalent to one-fourth of 1 per centum per annum nor more than an amount equivalent to 1 per centum per annum of the amount of the principal obligation of the mortgage outstanding at any one time, without taking into account delinquent payments or prepayments. In addition to the premium charge herein provided for, the Secretary is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction; but such charges for appraisal and inspection shall not aggregate more than 1 per centum of the original principal face amount of the mortgage.

"(f) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(g) (1) The Secretary shall have the same functions, powers, and duties (insofar as applicable) with respect to the insurance of mortgages under this section as the Secretary of Housing and Urban Development has with respect to the insurance of mortgages under other provisions of title II of the National Housing Act.

"(2) The provision of subsections (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 of the National Housing Act shall apply to mortgages insured under this section; except that, with respect to such mortgages, all references in such provisions to section 207 shall be deemed to refer to this section, all references in such provisions to the General Insurance Fund shall be deemed to refer to the Higher Education Facilities Insurance Fund and all references in such provisions to 'Secretary' shall be deemed to refer to the Secretary of Health, Education, and Welfare.

"(h) (1) There is hereby created a Higher Education Facilities Insurance Fund which shall be used by the Secretary as a revolving fund for carrying out all the insurance provisions of this section. All mortgages insured under this section shall be insured under and be the obligation of the Higher Education Facilities Insurance Fund.

"(2) The general expenses of the operations of the Department of Health, Education, and Welfare relating to mortgages insured under this section may be charged to the Higher Education Facilities Insurance Fund.

"(3) Moneys in the Higher Education Facilities Insurance Fund not needed for the current operations of the Department of Health, Education, and Welfare with respect to mortgages insured under this section shall be deposited with the Treasurer of the United States to the credit of such fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued as obligations of the Higher Education Facilities Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

TITLE VIII—HIGHER EDUCATION GENERAL ASSISTANCE

SEC. 801. The Higher Education Act of 1965 is amended by inserting after title XI the following new title:

"FINDINGS AND DECLARATION OF PURPOSE

"SEC. 1201 The Congress hereby finds and declares that an emergency condition has arisen which threatens the continued ability of many institutions of higher education to provide the education necessary to enable our citizens to make their full contribution to the Nation's economic and cultural development. It is therefore the purpose of this title to meet this critical need through general assistance from the Federal Government as provided in this title.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1202. There is hereby authorized to be appropriated for the fiscal year 1972, and each succeeding fiscal year, ending prior to July 1, 1976, such sums as may be necessary to carry out the program of general assistance to institutions of higher education under this title.

"GENERAL ASSISTANCE

"SEC. 1203. (a) (1) From the sums appropriated under section 1202 for a fiscal year, the Commissioner is authorized to make a general assistance grant for such fiscal year to each institution of higher education in an amount not exceeding that applied for by such institution or in an amount determined under paragraph (2) whichever is the lesser. Such a grant may be made only if any application therefor has been approved in accordance with section 1204.

"(2) Subject to paragraph (3) and to section 5, the amount of the grant to which an institution is entitled under this title for a fiscal year shall be the aggregate of—

"(A) the product obtained by multiplying $100 times the full-time enrollment (including the full-time equivalent of the part-time enrollment for credit) of students in the lower division of the institution defined as the first two academic years of instruction at the baccalaureate level.

"(B) the product obtained by multiplying $150 times the full-time enrollment (incuding the full-time equivalent of the part-time enrollment for credit) of students in the upper division of the institution defined as the last two academic years of instruction at the baccalaureate level in an institution awarding such degrees,

"(C) the product obtained by multiplying $200 times the full-time enrollment (including the full-time equivalent of the part-time enrollment for credit) of students who are pursuing a program of post-baccalaureate study.

"(3) In addition to the amounts to be paid under paragraph (2), an institution shall be entitled to an additional $200 for each of 200 students and an additional $100 for each of 100 additional students of the total enrollment of such institution.

"(4) If the sums appropriated for any fiscal year for making grants under this title are not sufficient to pay in full the total amount that all institutions of higher education are entitled to receive under this subsection (a), the grant to each such institution shall be an amount which bears the same ratio to the amount to which it is entitled under this subsection (a) as such sums appropriated bear to the total amounts all institutions are entitled to receive under subsection (a).

"(5) Determinations of enrollment under this section shall be made on the basis of credits earned by students at the institutions during the immediately preceding academic year. The Commissioner shall by regulation prescribe (1) the number of earned credits which constitute enrollment on a full-time basis, and (2) a definition of 'credit' to be used for such determinations which shall be substantially uniform for all institutions: *Provided*, That no credit shall be allowed for any religious instruction.

"APPLICATIONS

"SEC. 1204. An institution of higher education may receive a grant under this title only if it submits an application therefor at such time and in such manner as the Commissioner shall prescribe by regulations. The application may be approved if the Commissioner determines that the application—

"(1) describes general educational goals and specific objectives of the institution and the amount of institutional income needed to meet such goals and objectives,

"(2) provides satisfactory assurance that—

"(A) the proceeds of the grant will be used for programs of the applicant institution consistent with such goals and objectives,

"(B) the applicant will expand during the fiscal year for which the grant is requested (from funds other than funds received under this title) for all educationally related programs of such institution an amount not less than the average annual amount it expended for such programs the two fiscal years preceding the fiscal year for which the grant is requested, and

"(C) the applicant will make such reports as the Commissioner may require, including a summary report describing how the grant was expended and an evaluation of its effectiveness; and

"(3) contains such provisions as the Commissioner may require by regulation in order to protect the financial interest of the United States.

The Commissioner may waive the requirements of paragraph (2)(B) for any institution for any fiscal year if he determines such waiver would promote the purposes of this title.

"REPORT BY SECRETARY TO CONGRESS

"SEC. 1205. The Commissioner shall report to Congress within 120 days after the close of the fiscal year regarding the effectiveness of assistance under this title in meeting the goals and objectives of institutions of higher education and in encouraging diversity and autonomy among such institutions. The Commissioner shall also make such recommendations as seem appropriate regarding continuation, modification or extension of assistance under this title.

"LIMITATIONS

"SEC. 1206. No grant under this title may be made to, or used to support, a school or department of divinity. For purposes of this section, the term 'school or department of divinity' means an institution or department or branch of an institution whose program is specifically for the education of students to prepare them to be ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

"DEFINITIONS

"SEC. 1207. For purposes of this title:

"(1) The term 'institution of higher education' means an institution described in the first sentence of section 1501(1) of this title. A branch of an institution of higher education which is located in a community different from that of its parent institution shall be treated as a separate institution.

"(2) The term 'baccalaureate degree' means an undergraduate degree which normally requires at least four but not more than five years of full-time enrollment in an academic program for credit.

TITLE IX—INTERNS FOR POLITICAL LEADERSHIP ACT OF 1971

SEC. 901. Title IX of the Higher Education Act of 1965 is amended by adding at the end thereof the following new part:

"PART D—INTERNS FOR POLITICAL LEADERSHIP

"PROGRAM GRANTS AND CONTRACTS

"SEC. 931. The Secretary is authorized to enter into a contract or other arrangement with a private nonprofit agency (to be known as the 'National Coordinating Agency') under which such Agency will plan, develop, and carry out an internship program under which students will be provided practical political involvement with elected officials in the performance of their duties at all levels of government through internships in their offices. Such internship program shall be carried out through arrangements with institutions of higher education and State and local governments under which students in their third and fourth years of study at the institution will serve as interns in offices of State and local elected officials, and under which the interns will be assigned duties, which will give them an insight into the problems of the different levels of government, as well as an opportunity for research and for involvement in the policymaking process. Such arrangements shall provide for coordination between the on-campus educational programs of the persons selected and their activities as interns, with commensurate credit given for their work and achievement as interns. Such internship program shall also provide opportunities for students who have participated in the internship program at State and local levels to become interns in the offices of Members of Congress for up to three months during the first year following the receipt of their bachelor's degree.

Such internships shall be arranged by the National Coordinating Agency with the Members of Congress who wish to participate.

"SELECTION OF STUDENTS FOR PARTICIPATION

"SEC. 932. The students who are to participate in the internship program provided for in this part shall be selected by the National Coordinating Agency from among students whose names are proposed by participating institutions of higher education. Internships shall be distributed among the States so that insofar as practicable the number of each State bears the same ratio to the total number as the number of Members of Congress from that State bears to the total number of Members of Congress.

"FEDERAL SHARE

"SEC. 933. The amount of Federal payments on account of carrying out the program provided for in this title by providing for internships in the offices of State and local elected officials may not exceed one-half of the cost thereof.

"ADMINISTRATION

"SEC. 934. Subject to the terms of the contract or agreement between it and the Secretary, the National Coordinating Agency shall prescribe the stipends to be paid to the interns participating in the program provided for in this part, and the duration and other terms and conditions of such internships. The cost of administration of a program may be paid by such Agency.

"APPROPRIATIONS AUTHORIZED

"SEC. 935. There is authorized to be appropriated to carry out this part, the sum of $10,000,000 for the fiscal year 1972 and for each of the two succeeding fiscal years.

"DEFINITION

"SEC. 936. Notwithstanding section 1501(b)(a) or section 921(a), the term 'State' as used in this part means the fifty States, Puerto Rico, and the District of Columbia. For purposes of the distribution of internships among the States, in determining the number of Members of Congress for purposes of section 932, the Resident Commissioner for Puerto Rico and the Delegate from the District of Columbia shall be considered Members of Congress, and interns in the offices of Members of Congress shall be attributed to the State of the Member in whose office they are serving."

TITLE X—PROHIBITION OF DISCRIMINATION

SEC. 1001. Section 601 of the Civil Rights Act of 1964 is amended by inserting "(a)" after "SEC. 601.", and by adding at the end thereof the following:

"(b) No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance, except that this subsection shall not apply—

"(1) in the case of an educational institution in existence on the date of enactment of this subsection at which on that date substantially all the student are of the same sex,

"(2) for five years from the date an educational institution begins the process of changing from being an institution which admits only students of one sex to being an institution which admits students of both sexes, but only if it is carrying out a plan for such change which is approved by the Commissioner of Education, or

"(3) to an educational institution which is controlled by a religious organization and where the application of this subsection would not be consistent with the religious tenets of such organization."

SEC. 1002. (a) Clause (1) of section 701(b) of the Civil Rights Act of 1964 is amended by inserting after "thereof" the following: "(except with respect to employees of a State, or a political subdivision thereof, employed in an educational institution)".

(b) Section 702 of title VII of the Civil Rights Act of 1964 is amended by the insertion of a period after "religious activities" and the deletion of the remainder of the sentence.

SEC. 1003. Paragraph (1) of subsection (a) of section 104 of the Civil Rights Act of 1957 (42 U.S.C. 1975c(a)) is amended by inserting immediately after "religion," the following: "sex," and paragraphs (2), (3), and (4) of subsection (a) of such section 104 are each amended by inserting immediately after "religion" the following: ", sex".

SEC. 1004. Section 13(a) of the Fair Labor Standards Act of 1938 is amended by the insertion after the words "the provisions of section 6" of the following language "(except section 6(d) in the case of paragraph (1))."

SEC. 1005. Subsection (1) of section 3(r) of the Fair Labor Standards Act of 1938 is amended by the deletion of the words "an elementary or secondary school" and the insertion of the words "a pre-school, elementary or secondary school".

TITLE XI—IMPROVEMENT OF MINERAL CONSERVATION EDUCATION

SEC. 1101. The Higher Education Act of 1965, as amended (20 U.S.C. 1001 et seq.) is further amended by adding at the end thereof a new title to read as follows:

"TITLE XIII—IMPROVEMENT OF MINERAL CONSERVATION EDUCATION

SEC. 1301. The Congress, in recognition of the profound impact of mineral exploration and development on the health and safety of persons working in the mineral industries and on the interrelations of all facets of the natural environment, including, but not limited to, ground subsidence, mine fires, air and water resources, and fish and wildlife, and on outdoor recreation, aesthetic, agricultural, and other similar values of national, regional, and local significance, and in recognition of the fact that the prosperity and future welfare of the Nation is dependent, in large measure, on the sound exploration, extraction, processing, and development of its unrenewable mineral resources, declares that it is the purpose of this title to assist in assuring the Nation, at all times, of an adequate supply of mineral engineers and scientists (a) for the mineral industries engaged in research, investigations, experiments, demonstrations, exploration, extraction, processing, development, and production of such resources in a manner consistent with the need to protect and enhance the quality of the total environment, and (b) for the public agencies concerned with such mineral activities, with the health and safety of persons employed in such industries, and with the protection and enhancement of the total environment.

"SEC. 1302. (a) The Commissioner is authorized to make, in accordance with the provisions of this Act, grants each fiscal year, establishing and carrying out the work of a competent and qualified mineral resources conservation institute, center, or equivalent agency (hereinafter referred to as an 'institute'), to such institution of higher education as he may select, not to exceed one in each State and selected so as to serve the needs of a region, which shall be an institution of higher education established in accordance with sections 1 through 5, 7, and 8, of the Act of July 2, 1862, as amended (7 U.S.C. 30–305, 307 and 308) or some other institution of higher education designated by the Governor of the State within which the institution is located. Institutions of higher education designated under this subsection are encouraged to cooperate with other such institutions in participating in the work of the institute.

"(b) The Commissioner shall approve any application or any modification thereof submitted annually under this section by a designated institute, which he finds, in consultation with the Secretary of the Interior—

"(1) sets forth a plan to provide for the training, consistent with the purpose of this title, of individuals as mineral engineers and scientists under a four-year undergraduate curriculum appropriate to the field of mineral resources and mineral engineering and related fields of environmental control, and to conduct competent research, investigations, demonstrations, and experiments of either a basic or practical nature, or both, in relation to the exploration, extraction, processing, development, and conservation of mineral resources, to the solution of current and emerging problems of minerals technology, and to the protection and enhancement of health and safety of persons employed in the minerals industries and of the total environment affected by mineral operations;

"(2) gives assurances that such institute has or will promptly employ an adequate and competent faculty and administrative personnel;

"(3) sets forth policies and procedures which assure that Federal funds made available under this title for any fiscal year will be so used as to supplement and, to the extent practicable, increase the level of funds that would, in the absence of such Federal funds, be made available for purposes of this title, and in no case supplant such funds;

"(4) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds granted under this title;

"(5) provides for making such reports, in such form and containing such information, as the Commissioner may require, in consultation with the Secretary of the Interior, and for keeping such records and for affording access thereto; and

"(6) meet such additional conditions and regulations as the Commissioner may from time to time prescribe consistent with the purpose of this title.

"(c) In approving applications under subsection (b) of this section, the Commission shall require the institute to show that its program of mineral research, investigations, demonstrations, and experimental projects has been developed so to avoid, having due regard to the varying conditions and needs of each State or region, (1) undue displacement of mineral scientists and engineers engaged in such activities, and (2) duplication, to the greatest extent possible, of such mineral projects conducted or being conducted by Federal or State agencies or other institutes.

"(d) There is authorized to be appropriated to the Commissioner for grants under this section for the fiscal year beginning July 1, 1971, and for each succeeding fiscal year thereafter such sums as may be necessary to pay not to exceed $500,000 annually of the estimated cost of establishing and carrying out the work of an institute. The Commissioner shall provide for an equitable distribution of sums appropriated for such grants. Such sums shall remain available until expended. The institute shall assume indirect costs. A minimum of 20 per centum of such grant shall be designated for scholarships, graduate fellowships, and postdoctoral fellowships.

"SEC. 1303. (a) There is authorized to be appropriated to the Commissioner for fiscal year 1972, and for each of the succeeding fiscal years thereafter not to exceed $5,000,000 annually. Such sums shall remain available until expended for grants to institutes designated under this title where there is an application approved under this title to match, on a dollar-for-dollar basis, funds made available to such institutes by State or other non-Federal sources to pay the costs of conducting specific mineral research and demonstration projects of industrywide application relating (1) to the conservation, exploration, extraction, processing, development, or production of mineral resources, including but not limited to, the recycling and reuse of such resources and the products and wastes thereof, and (2) to the protection or enhancement of health and safety of persons employed in the minerals industries and of the environment in connection with mineral operations. The Commissioner shall provide for an equitable distribution of the sums appropriated among institutes for which an application is approved under section 1302 of this Act.

"(b) Each application for a grant under this section and section 1304 of this title shall, among other things, state the nature of the project to be undertaken, the period during which it will be pursued, the qualification of the personnel who will direct and conduct it, the estimated cost, the extent of participation by nongovernmental sources in the project, including the identification of the participants, the importance of the project to the Nation, region, or State, and its relation to other known research projects theretofore pursued or being pursued. The Secretary of the Interior shall review each such application and shall make recommendations thereon to the Commissioner within thirty days after receipt of such application concerning the adequacy and merit of the project, the knowledge which it is expected to produce when completed, and such other matters as he deems appropriate. The Commissioner shall not make any grant for a project which the Secretary of the Interior recommends disapproval of, or which, in the judgment of the Commissioner, does not provide an adequate opportunity to train individuals as mineral engineers and scientists consistent with the purposes of this title.

"(c) In making grants under this section, the Secretary shall prescribe such terms and conditions consistent with the purpose of this title.

"SEC. 1304. There is authorized to be appropriated to the Commissioner $10,000,000 in fiscal year 1972, increasing $2,000,000, annually for five years, and continuing at $20,000,00 annually thereafter from which he may, in consultation with the Secretary of the Interior, make grants or contracts with any educational institution to undertake mineral research and demonstration projects consistent with the purposes and applicable provisions of this title.

"SEC. 1305. No research, demonstrations, or experiments shall be carried out under this title by an institute financed by grants under this title, unless all information, uses, products, processes, patents, and other developments resulting therefrom (with such exception or limitation, if any, as the Secretary of Health, Education, and Welfare may find to be necessary in the public interest) be available promptly to the general public. Funds appropriated under this title shall be available for printing and publishing the results of activities carried out with such funds by institutes and for administrative planning and direction.

"SEC. 1306. To assure that any institute established under this title is adequately equipped to train individuals, the Commissioner may make grants to such institute to pay 50 per centum of the cost of purchasing equipment and supplies. The equipment and supplies so purchased shall be used primarily for the education and training of individuals consistent with the purposes of this title. No portion of any such grant shall be applied to the acquisition by purchase or lease of any land or interests therein or the rental, purchase, construction, preservation, or repair of any building. There are hereby authorized to be appropriated not to exceed $5,000,000, annually, to remain available until expended, to carry out the purposes of this section.

"SEC. 1307. (a) The Commissioner shall appoint an advisory committee on mineral research composed of—

"(1) the Director of the National Science Foundation, or his delegate, with his consent;

"(2) the President, National Academy of Sciences, or his delegate, with his consent;

"(3) the President, National Academy of Engineering, or his delegate, with his consent;

"(4) the Director, Bureau of Mines, or his delegate, with his consent; and

"(5) such other persons as the Commissioner may appoint who are knowledgeable in the field of mineral research and its impact on health and safety and the quality of the environment.

"(b) The Commissioner shall designate the chairman of the committee. The advisory committee shall consult with, and make recommendations to, the Commissioner and the Secretary of the Interior on matters involving or relating to the purpose of this title. The Commissioner and the Secretary of the Interior shall consult with, and consider recommendations of, such committee in the conduct of mineral research and development and the making of any grant under this title.

"(c) Advisory committee members, other than officers or employees of Federal, State, or local governments, shall be, for each day (including travel time) during which they are performing committee business, entitled to receive compensation at a rate fixed by the appropriate Secretary but not in excess of the maximum rate of pay for grade GS–18 as provided in the General Schedule under section 5832 of title 5 of the United States Code, and shall, not withstanding the limitations of sections 5703 and 5704 of title 5 of the United States Code, be fully reimbursed for travel, subsistence, and related expenses."

TITLE XII—AMENDMENTS TO GENERAL PROVISIONS

SEC. 1201. (a) Title XII of the Higher Education Act of 1965 is redesignated as title XV and sections 1201 through 1210 of such Act are redesignated as sections 1501 through 1510, respectively, and cross-references to such title and such sections are redesignated accordingly.

(b) Title XV of such Act, as redesignated by this Act, is amended by inserting at the end thereof the following new section:

"UNIFORM APPLICATION REQUIREMENTS

"Sec. 1511. Any application for assistance under titles II, III, V, or VIII submitted to the Commissioner by an institution of higher education or other eligible applicant shall not be approved unless it contains assurances satisfactory to the Commissioner that—

"(1) Federal funds made available under such title for any fiscal year will be so used as to supplement, and to the extent practical, increase the fiscal effort that would, in the absence of such federal funds, be made by the applicant for purposes which meet the requirements of such title, and in no case supplant such effort;

"(2) such fiscal control and fund accounting procedures have been adopted as may be necessary to assure proper disbursement of and accounting for Federal funds paid under such title;

"(3) procedures have been adopted (A) for the periodic evaluation of the effectiveness of the programs to be supported under such title, and (B) for appropriate dissemination of the results of such evaluation; and

"(4) the applicant (A) will make such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under such title and to determine the extent to which funds provided under that title have been effective in carrying out its purposes (including reports of evaluations), and (B) will keep such records and afford such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports."

EFFECTIVE DATE

Sec. 1201. The amendments made by section 1201 shall be effective July 1, 1971.

TITLE XIII—CONSTITUTING THE COLLEGE OF THE VIRGIN ISLANDS AND THE UNIVERSITY OF GUAM AS LAND-GRANT COLLEGES

Sec. 1301. The College of the Virgin Islands and the University of Guam shall be considered land-grant colleges established for the benefit of agriculture and mechanic arts in accordance with the provisions of the Act of July 2, 1862, as amended (12 Stat. 503; 7 U.S.C. 301–305, 307, 308).

Sec. 1302. In lieu of extending to the Virgin Islands and Guam those provisions of the Act of July 2, 1862, as amended, referred to above, relating to donations of public land or land script for the endowment and maintenance of colleges for the benefit of agriculture and the mechanic arts, there is authorized to be appropriated to the Virgin Islands and Guam the sum of $3,000,000. Amounts appropriated under this section shall be held and considered to have been granted to the Virgin Islands and Guam subject to the provisions of that Act applicable to the proceeds from the sale of land or land script.

Sec. 1303. The Act of August 30, 1890, as amended (26 Stat. 417; 7 U.S.C. 322–326), is further amended—

(1) by striking the words "and Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(3) by striking the words "or Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam";

(4) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam"; and

(5) by striking the words "or Territorial" where they appear.

Sec. 1304. Section 22 of the Act of June 29, 1935, as amended (49 Stat. 439; 7 U.S.C. 329), is further amended—

(1) by striking the words "and Puerto Rico" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam.";

(2) by striking the figure "$7,800,000" and substituting in lieu thereof the figure "$8,100,000"; and

(3) by striking the figure "$4,320,000" and substituting in lieu thereof the figure "$4,360,000".

Sec. 1305. The Act of March 4, 1940 (54 Stat. 39; 7 U.S.C. 331) is amended—

(1) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam"; and

(3) by striking the word "State" wherever it appears in the third proviso of that Act and substituting in lieu thereof the word "State, Puerto Rico, the Virgin Islands, or Guam".

Sec. 1306. Section 207 of the Agricultural Marketing Act of 1946 (60 Stat. 1091; 7 U.S.C. 1626), is amended by striking the period at the end of the section and adding the following words: ", and the term 'State' when used in this chapter shall include the Virgin Islands and Guam."

Sec. 1307. Section 3 of the Act of May 8, 1914, as amended (38 Stat. 373; 7 U.S.C. 343), is further amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000, which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

Sec. 1308. Section 10 of the Act of May 8, 1914, as amended, is amended by striking the words "and Puerto Rico" and inserting in lieu thereof the words, ", Puerto Rico, the Virgin Islands, and Guam".

Sec. 1309. Section 4 of the Act of October 10, 1962 (76 Stat. 806, 16 U.S.C. 582a–3), is amended by striking the period at the end of the first sentence thereof and adding the following language: ", except that for the fiscal years ending June 30, 1971, and June 30, 1972, the matching funds requirement hereof shall not be applicable to the Virgin Islands and Guam and sums authorized for such years for the Virgin Islands and Guam may be used to pay the total cost of programs for forestry research."

Sec. 1310. Section 8 of the Act of October 10, 1962 (76 Stat. 807; 16 U.S.C. 582a–7), is amended by striking the period at the end thereof and adding the words ", the Virgin Islands and Guam".

Sec. 1311. Section 1 of the Act of August 11, 1955 (7 U.S.C. 361a–361i), is amended by striking the period after the second sentence and adding the words, ", Virgin Islands and Guam," and deleting "and" between the words "Hawaii and Puerto Rico".

Sec. 1312. Section 3 of the Act of August 11, 1955 (7 U.S.C. 361a–361i), is amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

Sec. 1313. With respect to the Virgin Islands and Guam the enactment of this title shall be deemed to satisfy any requirement of State consent contained in laws on provisions of law referred to in this title.

TITLE XIV—EVALUATION

SEC. 1401. The Higher Education Act of 165 is amended by inserting after title XIII the following new title:

"TITLE XIV—EVALUATION OF FEDERAL EDUCATION PROGRAMS

"SEC. 1401. (a) The Comptroller General of the United States shall review, audit and evaluate Federal education programs, and upon request by a committee of the Congress, or, to the extent personnel are available, upon request by a Member of Congress, shall (1) conduct studies of existing statutes and regulations governing Federal education programs; (2) review the policies and practices of Federal agencies administering such programs; (3) review the evaluation procedures adopted by such agencies carrying out such programs; and (4) evaluate particular projects or programs. The Comptroller General shall compile such data as is necessary to carry out the preceding functions and shall report to the Congress at such times as he deems appropriate his findings with respect to Federal education programs and his recommendations for such modifications in existing laws, regulations, procedures and practices as will in his judgment best serve to carry out the policies set forth in education legislation effectively and without duplication.

"(b) In carrying out his responsibilities as provided in subsection (a) of this section, the Comptroller General shall give particular attention to the practice of Federal agencies of contracting with private firms, organizations and individuals for the provision of a wide range of studies and services (such as personnel recruitment and training, program evaluation, and program administration) with respect to Federal education programs, and shall report to the heads of the agencies concerned and to the Congress his findings with respect to the necessity for such contracts and their effectiveness in serving the objectives established in education legislation.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1402. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title."

Mrs. GREEN. The subcommittee will come to order for the consideration of higher education legislation. We are delighted to have you here, Mr. Secretary, and Commissioner Marland, to open these hearings.

May I, in opening, congratulate the Department of HEW on its action at the University of Michigan to prevent discrimination against women on campus. As I understand the status of the case, the university has agreed to make retroactive salary payments in limited amounts, but is still balking about conditions for admitting women to the graduate schools.

May I also, Mr. Secretary, congratulate you on initiating a women's action program in HEW, the first in any Federal agency. I know I will not be alone in watching with great interest the future steps the Department and the Office of Education may take in this regard.

The Commissioner indicated to me sometime ago that he was appointing women to fill a couple of top positions. I hope that promise becomes a reality.

The hearings today are on the higher education legislation which expires on June 30 and must be extended and amended as appropriate by this committee.

At this time the committee on Education and Labor has not completed its organization and consequently members have not yet been assigned to the subcommittees. However, notice has been given to each of the members of the full committee of this morning's meeting.

In preface to the hearings, may I say that as I see it in the years since World War II our Nation has made great strides toward the goal that higher education should be open to all qualified students. In 1940, we had 1,494,000 students attending our colleges and universities. In every decade since that time the number of students has increased. In 1970, 8,550,000 students were receiving post-secondary education. That number constitutes 31.1 percent of the young people in the 18 to 24 age group. The percentage of high school graduates going on to college has increased dramatically. The latest figure I have, for the 1968–69 year, show that 60.3 percent of high school graduates were attending post-secondary educational institutions.

The economic effort required of the Nation to put more students on campus, to provide more classrooms and teachers, and more associated facilities such as dorms, libraries, and dining rooms, has been very substantial. This effort has been made by both private colleges and universities and public institutions supported by Federal, State, and local tax revenues.

Over the decades, the expenditures for higher education by private and public institutions has increased, both in absolute figures and in percentage of gross national product. In the 1940's, we were spending $678,560,000, 0.74 percent of GNP and in 1970 we were spending $16,565,909,000, or 2.8 percent of the GNP. In other words, in 30 years the dollar expenditure for higher education has multiplied 23 times and the percentage of GNP devoted to higher education has almost tripled.

I think that these are significant figures and that they provide an interesting contrast to the too frequent criticism that the Nation has not responded to its educational needs.

Students everywhere are facing rising college costs. In 1940, the median figure paid by a student at a public college for tuition and fees was $82 and that paid by a student at a private college was $270. In 1970, the student at public college paid $229 and the student at a private college, $1,090. Board and room costs, of course, have risen proportionately.

These increasing costs, as I see it, have placed ever greater burdens on the budgets of not only the poor, but also on middle income families who pay taxes, but by and large are excluded from participation in the student financial aid programs in terms of receiving outright aid or participating in a subsidized program. They are also excluded from most other social programs financed by the Federal Government.

I have read your statement with great interest, Mr. Secretary, and I am very much interested in hearing you expand on the various recommendations that you are making to this Congress. I hope that in your statement you will give some attention to two areas which seem to me to be conspicuous by their absence in the administration bill. The first, as I see it, is a blindness to the financial needs of the sons and daughters of middle income families and, secondly, a blindness to the great needs of the private institutions of higher education in this country. I am persuaded that, in many instances, they are operating only through deficit financing or by dipping into their endowment funds.

With that opening statement, Mr. Secretary, we are anxious to hear your recommendations and also those of the Commissioner. Will you proceed as you wish.

STATEMENT OF HON. ELLIOT RICHARDSON, SECRETARY, HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY HON. SIDNEY MARLAND, U.S. COMMISSIONER OF EDUCATION; PETER P. MUIRHEAD, EXECUTIVE DEPUTY, COMMISSIONER, OFFICE OF EDUCATION, AND CHRISTOPHER CROSS, ACTING DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION)

Secretary RICHARDSON. Thank you very much. Madam Chairman and members of the subcommittee.

We have already identified as accompanying me, U.S. Commissioner of Education, Dr. Sidney Marland, and the Executive Deputy Commissioner of the U.S. Office of Education, Mr. Peter P. Muirhead. I would also like to identify the gentleman sitting to my left, Deputy Assistant Secretary for Legislation, Christopher Cross.

I welcome this opportunity to discuss today the administration proposals for higher education which are before this subcommittee.

It was almost 1 year ago when President Nixon, in his higher education message of 1970, stated his belief that no qualified student should be barred from post-secondary education by reason of financial inability.

I am pleased to be with you today to reaffirm the President's pledge to remove the barriers that do exist to the fulfillment of that goal. I would also like to discuss with you the need for a revitalization, if you will, a quiet revolution, of post-secondary education in this Nation.

We know today that a student from a family with income above $15,000 is five times as likely to receive a college education as a student coming from a family with income under $3,000. This Nation cannot any longer afford this loss of talent.

Of the higher education bills which are before the 92d Congress, all are in agreement on one fundamental point—aid to students from low income families must be significantly increased. Although we differ on how that can best be accomplished, I feel that we have a large area of mutual agreement on this issue.

There is another area on which I hope we can reach agreement. That is on the urgency of swift congressional action on higher education legislation. In less than 6 months approximately 2 million students will be enrolling in the post-secondary institutions of this Nation for the first time. Another 6 million will be continuing their education. A larger percentage of these students will be from low-income families. Unless we are able to give them some assurance of financial support within the next few weeks, many of those students will make the decision that they cannot afford to continue and obtain a post-secondary education. I am also personally hopeful that through early action on H.R. 5191 we will succeed in encouraging other talented low-income students who had never imagined that college was within their financial grasp to apply and enroll for the fall term.

The primary thrust of our proposed student aid reforms can be stated quite simply—to give every qualified low-income student the same financial access to a post-secondary education as a student from a middle-income family. We propose to accomplish this through a combination of educational opportunity grants, work-study payments, and subsidized loans.

The administration's improvements in the existing student aid programs have five major purposes:

To assure the availability of funds to every qualified student.

To assure that Federal funds go first, and in the largest amounts, to the students who need them most.

To provide potential students with as accurate information as possible concerning the aid they can expect.

To assure that all students of equal need are treated alike.

To provide additional financial aid to students attending high-cost institutions.

The administration is recommending a coordinated student aid system with two parts: (*a*) a combination of grants, work-study payments, and subsidized loans for undergraduate students with low to middle incomes attending post-secondary educational institutions as well as proprietary institutions of higher education; and (*b*) creation of a National Student Loan Association to raise money privately and make it available for all post-secondary students at all income levels.

The basic concept of the student aid system is that all students whose families can be expected to make the same contribution should have the same help available for their education from Federal sources. The combination of family contributions plus Federal grants, work-study payments, and subsidized loans would be enough to enable any student to meet minimum education expenses. The key determinant is family income (and, thus, family contribution).

The system would work in the following manner: Each year the Secretary of HEW, after conferring with the Advisory Council on Financial Aid to Students, would publish a schedule indicating the amount of Federal funds available to students with varying family contributions. Each student's eligibility for aid would be calculated by determining the expected family contribution toward his educational costs. This determination would take into account such factors as the size of the family, the number of children in college, extraordinary family expenses, and capital assets. The deficiency between expected family contribution and the amount of resources the student should have available to him would be met by a combination of grants, work-study payments, and subsidized loans.

Mr. Muirhead will share with you today some examples of our estimates of assistance, based upon our estimates of funds available and students aided. He will also return next week to discuss these proposals in depth.

It should be noted that what we are proposing represents a Federal floor for educational assistance. Added to this floor will be, in a majority of cases, financial aid from State sources, institutional aid, and private financial assistance which amounts to an estimated total of $994 million in academic year 1969–70. As an example of State programs that are available, I might note that in New York State, assistance this year will aid about 250,000 students with an average award of $280. In Ohio, a student enrolling in a private institution from a family with an income of under $3,000 receives a $900 State grant. If he enrolls in a public institution, he receives a $300 grant. In either case, that assistance would be added to his eligibility for Federal assistance. Many other States have similar programs of student aid. Institutions, particularly private ones, also devote a significant portion of their income to student assistance. We would anticipate that they would use those funds to provide supplemental awards for low-income students and whatever limited assistance might be needed for students not qualifying for direct Federal subsidy. Of course, in no instance would Federal aid, combined with other aid, exceed the cost of education at the institution in question.

It should be noted that the President's budget for fiscal year 1972 reflects the commitment of this administration to H.R. 5191. That budget calls for a $575 million appropriation for educational opportunity grants and work study in fiscal year 1972, a 70 percent increase over the current year. It also provides funds to subsidize nearly four times the volume of loans covered in the fiscal year 1971 budget. We believe this demonstrates quite clearly the commitment of this administration to higher education.

One of the problems which has often plagued the middle-income student in his quest for a college education has been the lack of available loan funds. Particularly in the tight money market of the past 2 years, many students have been denied the funds they legitimately needed to acquire a postsecondary education.

The purpose of the proposed National Student Loan Association is to increase the amount of resources available for loans, both subsidized and unsubsidized, to all students at all income levels.

NSLA would be a private corporation, chartered and established by the Federal Government. It would raise funds by issuing its own obligations for sale in private capital markets. These obligations would be guaranteed against default by the Government, allowing the NSLA to pay a lower rate of interest.

With the proceeds from its sales, NSLA would buy, sell, or warehouse student loan paper from colleges, banks, or other eligible lenders. Typically, a college without funds of its own to invest in student loans would make a loan to a student and then turn immediately to NSLA to sell the student's note. NSLA would pay enough for the note to restore the college's cash position.

NSLA would significantly increase the flow of funds into student loan markets. Both banks and colleges would be encouraged to do more student lending. It is estimated that NSLA may buy up to $2 billion worth of loans in its first year of operation.

The guaranteed loan program would continue to be open to all college students, however high their family incomes. The interest subsidy paid by the Federal Government on student loans to above-average-income students while they are in college and the special allowance paid to banks would be eliminated.

Finally, several other features of the President's student aid proposals merit attention:

Educational opportunity grants would continue as the basic grant program, but without matching requirements.

The college work-study program would continue. Colleges would continue to match work-study funds provided by the Federal Government ($1 for $4), but this requirement would be waived for institutions or work programs which it would hamper.

National Defense Student Loan benefits would continue. However, lendable capital would come from the private money markets rather than the Federal Treasury.

Institutions of higher education would preserve the option, within national limits set by the Commissioner of Education, of determining the mix of grants and work-study payments appropriate to the individual student.

Loan ceilings would be raised to $2,500 annually and would apply to the aggregate of both subsidized and unsubsidized loans.

The length of the maximum permissible loan repayment period would be increased to 20 years from the present 10.

The student could prepay his loan at anytime without penalty.

As to the needs of the children in middle-income families and the needs of private institutions, I would just note briefly that there are significant modifications in the language before this subcommittee this year that do address these problems. Commissioner Marland and Mr. Muirhead may, and I think will, have occasion to expand on these. In the first case, the determination of a family's ability to support the student in college is, as I noted in the course of my prepared statement, to be determined on a basis that would take into account the size of the family, the number of children in college, extraordinary family expenses, and capital assets.

This means, in other words, that the eligibility of a student for grant assistance and for a subsidized loan in addition to the grants assistance would be a function both of actual family income and claims on family income. This, in other words, would mean that in the case of a family with more than one child in college, or a large number of children, that the eligibility for grant and/or subsidized loans might reach a family with an income of close to $15,000.

The other point is that we have added this year a provision for a cost of education loan which would be available to a student only to meet costs of education at a particular institution that are not covered by the basic grant and basic subsidized loan of $400. He could, in other words, borrow an additional $1,500 that would enable him to pay the charges of attending a higher cost institution. This change was made in the program for the specific purpose of making the student assistance available under it more adequate for students attending private and independent institutions. But, as I said, these are things that can be more fully illustrated and described in the testimony of the Commissioner and his Executive Deputy. I mention them now because we have not overlooked them and we believe that in combination they do represent a conscientious effort to meet those problems.

Turning now to the National Foundation for Higher Education. I quote from the President's Message on Higher Education in which he said:

If we are to make higher education financially accessible to all who are qualified, then our colleges must be prepared both for the diversity of their goals and the seriousness of their intent.

To encourage basic, structural change in higher education and to provide new and more meaningful educational options for students, the President proposes to establish the National Foundation for Higher Education. The foundation is designed to create that quiet revolution in post-secondary education which I spoke of earlier.

During the past 20 years, post-secondary institutions have been absorbed in meeting the challenge of dramatically expanding enrollments. Twenty years ago less than a quarter of our young people went to college; today over half do. Twenty years ago most of our post-secondary institutions served a select and relatively homogeneous student population. Today, they serve students from all kinds of economic and social backgrounds and a wide range of academic abilities and interests. Twenty years ago, most institutions were relatively small, and the balance between public and private institutions was about even. Today, a quarter of our students attend institutions where enrollments are over 20,000, and large public multicampus systems dominate the field.

The result of these dramatic changes has been a steady accumulation of problems: dropout rates of over 50 percent at many institutions; rigid requirements and sequences of study ill-designed to meet individual needs; inadequate programs of career education and professional training; grave imbalances between training and research; graduate programs which train individuals for nonexistent markets; distortions caused by the overevaluation of college degrees; large-scale inefficiencies in the use of institutional resources; a vast potential student body of middle-aged and older individuals who are not served at all by any of our post-secondary institutions.

Too, the relationship between the Federal Government and the Nation's colleges and universities has aggravated rather than solved problems. In many cases the Federal Government has hired universities to do work which has had little or no relationship to their essential functions. The National Foundation for Higher Education will forge a new and constructive partnership for basic change and innovation designed to meet the needs of the American public.

This brings me to our specific design for the foundation. It is a design for which I am personally responsible, and in which I believe. It has been carefully drawn up to achieve independent yet coordinated action. It will be an agency run by a Presidentially-appointed Director, and advised by a strong board. The Director of the Foundation will have close working relationships with the Commissioner of Education and the Director of the proposed National Institute of Education. Since I have already established that the Commissioner of Education is the chief education officer in my administration, I intend to ask the Director of the Foundation to report to me through him.

While the foundation cannot be expected to solve all of the problems I enumerated earlier, it can encourage colleges and universities to begin developing solutions. By making full use of its flexible authority to make project grants, it can support exemplary programs which will demonstrate new ways of defining the university's role in society.

The foundation will, for example, help institutions to develop new paths of access to higher education for people of all ages. This can be done by supporting not only new career training programs but also by breaking the lockstep pattern of college attendance. The recent Carnegie commission report, entitled "Less Time, More Options," is a useful guide to what might be done in this area.

I might add one of the things we recognize as most needed in terms of greater flexibility on the part of higher education is greater opportunity for women to obtain and complete programs of higher education through being able to attend a college for a limited period of time, transfer with credit or to return at a later time and pick up where they left off. We believe also that it is desirable to create an arrangement whereby periods of inactivity other than formal attendance in a college or university could be credited toward a degree or other appropriate recognition of educational status. We think that it should be possible in various ways to provide for the pursuit of higher education under circumstances that do not necessarily require actually being present on a campus or in a classroom, but which nonetheless constitute a full equivalent for purposes of recognition toward a degree.

A comparably useful kind of flexibility we think that the foundation could also help to encourage and support would be attendance under various part-time arrangements and during hours more flexible than they are now. We think that much greater and more effective use could be made of modern technology, particularly television, in extending the capacities of the master teacher. In short, there are a lot of ways we believe in which through the foundation we could help to overcome what I think all of us in the Department of HEW are convinced has been a serious lag in the adaptation of the institutions of higher education to a very different kind of society and different kind of student body that we have today as compared to 10 or 20 years ago.

Another area in which the foundation would play an active role would be in assisting institutions to evaluate their management practices and administrative structures and in experimenting with new modes of financing higher education. One of the most important problems facing higher education today is the efficient and humane use of public resources. This problem will be among the highest concerns of the foundation.

During the past year we have consulted frequently and openly with representatives of the higher education community and of the Congress in an attempt to reach accommodation on a higher education bill which could be accepted by all concerned. These consultations have resulted in several important changes in this year's proposals over last year's. We have, for example, added a new component to our student aid proposals—cost of education loans—which will provide benefits identical to those currently received by low-income students under the National Defense Student Loan Program, enabling them to attend our more expensive institutions. At the suggestion of Members of Congress and leaders in the higher education community, we have also proposed a new program of loan insurance for private college facilities and requested extension of existing authority for direct loans and grants under the Higher Education Facilities Act.

Finally, our consultations have resulted in important changes in our proposal for the National Foundation for Higher Education. We have removed from the foundation the programs which clouded its reformist image last year, and we have, as noted, modified its structure to place it within the Department of Health, Education, and Welfare.

H.R. 5191 also contains a number of other titles and provisions which either extend or modify many existing provisions of the Higher Education Act of 1965, the Higher Education Facilities Act, and the National Defense Education Act. Commissioner Marland will discuss these modifications with you in detail.

Prior to turning to Commissioner Marland, I would like again to urge your prompt attention to this legislation and pledge the cooperation of the department in arriving at legislation acceptable to the President and both Houses of Congress. Although we have differences, I believe they can and must be subordinated to the goal of increasing student assistance and revitalizing the educational establishment of the Nation.

If it is agreeable to the subcommittee, it would be preferable from our point of view for Commissioner Marland to proceed from here and to reserve questions until after the completion of his testimony.

Mrs. Green. Thank you very much, Mr. Secretary. I think perhaps the members of the committee would like to direct some questions to you Mr. Marland and Mr. Muirhead will be back next week. We do have a rule on the committee of a 5-minute limitation the first time around, which will be observed and I will ask the Counsel to keep the time.

If I can turn first to the student aid proposals, Mr. Secretary, it seems to me that, outside of the guaranteed loan program, the middle-income student is not eligible for any Federal student financial assistance. And I am concerned that this is a step in the phasing out of the NDEA student loan program which the Bureau of the Budget has been advocating for some time. If so, I view this with great concern.

Even considering your definition of adjusted income, I still do not see that a young man or woman from a middle-income family has any real assistance other than a loan at the market rate which he must pay back.

I would like to ask a related question. You are asking this year for an additional $1,500 subsidized loan, for the needy student, is that correct?

Secretary Richardson. The $1,500 subsidized loan is a cost of education loan.

Mrs. Green. It would go to the students and not to the institutions, so there is no institutional help involved at all. The institutions are still really subsidizing the education of these students. Do you equate the most expensive institutions with quality education?

Secretary Richardson. Among the most expensive institutions are also some of the best, but I think it would be inaccurate to imply that only the expensive institutions are of high quality, because certainly some of the low tuition State universities are also in the very front rank.

Mrs. Green. Wouldn't all of the land grant colleges, for example, argue the point of whether high cost is to be equated with quality?

Secretary **Richardson**. Yes, I haven't anywhere suggested that high cost was equated exclusively with quality.

Mrs. **Green**. This leads me to my main question. Why is it in the national interest to make it possible for the financially neediest student, to go to the most expensive school? The middle-income student does not have this option.

Secretary **Richardson**. I think this requires a somewhat extended comment, because we have touched on several features of this set of inter-related recommendations.

First of all, we established as our primary objective a means of assuring that low-income students would be able to go on to some appropriate form of education beyond high school. We recognized that there was and is a very wide discrepancy between the proportion of such students going on to college or university——

Mrs. **Green**. Could I interrupt there? Let me turn to the President's letter of transmittal to the Speaker. He states, "I repeat the commitment which I made in my message of last year that no qualified student who wants to go to college shall be barred by lack of money."

Considering the bill which has been sent up and the testimony you have presented this morning, would it not be more accurate to say the administration believes that no qualified poor student who wants to go to college should be barred from attending the most expensive college in the Nation because of lack of personal funds?

Secretary **Richardson**. Madam Chairman, the point of this is basically that we proposed a combination of grant, work-study support and subsidized loans. The grant and work-study support, which may total a maximum of $1,000 for any student, varies with the cost of attending any particular institution. The student may receive the $1,000 if the expected family contribution to his education is determined to be zero.

Whether the family's contribution is determined to be zero is a function of the size of the family, the number of other children attending college, and other expenses.

Mrs. **Green**. But you are not saying if that student went to, for instance, a community college with a very low tuition or one in a State where there is no tuition charge, that he would get the full $1,000 a year?

Secretary **Richardson**. He would not get the full $1,000 if the cost of attending the institution were lower than that. But he could get a maximum of a thousand dollars no matter where he attended. In addition to that, if he were in a family which, because of size, income level and so on, could not be expected to make a direct contribution to his cost of obtaining education, he could also borrow $400 under a subsidized loan. And this he could borrow no matter where he was going to college, if it were determined by the institution that he needed the money. So that would bring him to a total of $1,400 without regard to the particular costs of attending the institution.

In addition to this $1,400, he could borrow $1,500 more, depending upon the cost of attending the institution. We have proposed this because we have felt that the Federal assistance available to a student should not be so heavily weighted in favor of the low-cost institutions as in itself to exert an additional element of momentum, shifting the balance of student attendance at institutions beyond the high school in the United States still more heavily in favor of the tax-supported institutions.

Mrs. **Green**. I agree with your last statement, but that same option is not available to the middle income student. You want it weighted so the most needy student could go to the most expensive college. But I think if any survey were made of middle-income families today it would show their sons and daughters do not have the luxury of choosing to attend the most expensive college in the country.

So we are giving to the neediest student, under the formula which the administration has worked out, opportunities which the middle-income student does not have.

Secretary **Richardson**. I am sorry, Madam Chairman, I have to disagree with that. What we start out with is a basic definition of expected family contribution. Now the statute doesn't define in dollar terms what expected family contribution to the cost of students attending college is. This is determined under criteria that would be established by the Secretary. These criteria are consistent for any given level of income.

The expected family contribution is lower if the family's gross income is lower. It may be just as low if the family gross income is higher, but the number of its children attending college is larger. So that it is a variable amount.

Now the result is, in effect, a smooth curve in available financial assistance, so that as the expected family contribution raises from zero to $1,200, for example, the aggregate combination of grants and subsidized loans available to the student declines from an aggregate of $2,900 to a maximum of $1,700.

Mrs. **Green**. The counsel advises me my time is up.

Secretary **Richardson**. What I am trying to say, Madam Chairman, is that we think we have a uniformly graduated combination of benefits that are just as fair to the middle-income families as to the low-income families, and which for all families would provide for unsubsidized guaranteed loans without regard to family income.

Mrs. **Green**. I will be happy to share with you, Mr. Secretary, letters I have received from middle-income families outlining their inability to obtain assistance under any of the programs.

Secretary **Rchardson**. That is why we proposed these modifications, Madam Chairman.

Mrs. **Green**. I will turn to Congressman Dellenback.

Mr. **Dellenback**. Thank you very much, Madam Chairman.

May I say just a few words before I move on to my questions on behalf of our side of the committee.

It is a very genuine pleasure for us to have you here. We see what I read as your personal imprints in these bills which were introduced yesterday. I commend you for the substance of those bills. I think they do have a very real forward-looking aspect, there is real boldness involved in the suggestions made in those pieces of legislation. I am convinced that they give us a very sound basis upon which and from which we can work in these next several weeks.

I would like to add another word of commendation to you, Mr. Secretary, and really to Mr. Commissioner and the other members of your staff as well. I commend you not only for the substance of those bills; but also for the process of shaping this legislation. You touched on it in your testimony, Mr. Secretary, in making the point that you approached members of the educational profession in a way that has not been the hallmark of those who have worked in this field before. Instead of just saying that which you felt ought to be incorporated in the legislation that was to be presented to our committee, you went to educators and you went across the board in talking to them. And they not only listened to what you had to say, but you gave them a chance to make a very significant input into that legislation. I commend you for that.

I commend you also for the manner in which you met with some members of this committee before firming up your legislation. This holds for both sides of the political aisle. It gave us a chance to get some idea as to some of the thoughts that were in your mind, and to react to them. We see in the legislation which was introduced yesterday some results of that interchange of information. I think you should be strongly commended for both of those particular moves—within the educational professional fraternity and with members of this committee.

Secretary RICHARDSON. Thank you, Mr. Dellenback.

Mr. DELLENBACK. I would like to follow down just a little bit some of the dollar questions the chairman was referring to, but before I do that I would like to ask a couple of other questions.

First, in your prepared statement—and I see this is true also for the Commissioner's statement which we will have before us shortly—you point out how much more likely it is that a student from a high-income family is going to attend college than one from a low-income family. On what year's data is that statement based, the percentages set forth in your testimony?

Secretary RICHARDSON. This is based on a study of 1966 high school seniors by family income. It derives from the 1967 census data.

Mr. DELLENBACK. It is suggested or is it implicit in what you say in this particular field that it is your feeling that the same percentage of students from every income level should attend college?

Secretary RICHARDSON. It is our feeling basically that distortions in the proportion as wide as this must be attributable to circumstances of opportunity as well as of perhaps the general attitude of the family for higher education.

But what we are seeking to do, in effect, at any rate, is to equalize opportunity or, to put it another way, to try to assure that whatever other factors may operate, the barrier of lack of money will not be determining.

Mr. DELLENBACK. So it is not to be inferred from your testimony that we are setting up any sort of arbitrary goal relative to percentages of students attending colleges and universities so that we would always be able to find exactly or substantially the same percentages at every level. You are talking of opportunities, so a person is not deprived of that opportunity by virtue of being in a given income class. Do I read you correctly on this?

Secretary RICHARDSON. Yes.

Mr. DELLENBACK. I think that is an extremely important point to make. This is important in my mind because I think there would be a substantial and substantive difference. What you are trying to do is remove obstacles which would stop a person from attending a college or university because of lack of funds.

There is another point. We are hearing some questions being asked about whether we are encouraging too many of our young people to get a baccalaureate degree; that many students who are now in college, for whatever reason, whether it be social pressure or family status seeking, whatever it may be, that many of these students have neither the motivation nor the aptitude for the traditional college program.

Last year the Bureau of Labor Statistics reported to our subcommittee that the Nation's manpower needs would require only about 20 percent of a given age group to have a college degree. Some of the statistics we have indicate we are about there now. In the term of Federal programs and priorities, as you see them and as they are in the budget, what percentage of our youth do you feel should attend a college or university to obtain a baccalaureate degree?

Secretary **Richardson**. I don't think I could give a good answer to the question on the proportion that should go through a 4-year program. But I think we can certainly agree that proportion is probably higher than it needs to be for two reasons, at least. One is that not enough prestige and recognition is attached to the pursuit of career education, often in 2-year colleges, rather than the pursuit of a liberal arts bachelor's degree in a 4-year college. Second, the result of a so-called lock-step process that keeps students in college for 4 years is inappropriate for many who only find their motivation and need for higher education at a later point in life, perhaps.

So what we would like to do, partly through the use of the Foundation, is to create greater flexibility among the types of institutions that are available to encourage career education and to provide opportunities for spacing out the process of education over the lifetime.

Mrs. **Green**. The time of the gentleman has expired.

The gentleman from Indiana, Congressman Brademas.

Mr. **Brademas**. Thank you, Madam Chairman.

Mr. Secretary, it is good to see you and your colleagues here. There are, as I see it, three major weaknesses in your proposal. I would like to rattle them off as I see them and invite your comment.

First, with respect to student aid, your proposal to kill the major middle-income student aid program—which the Chairman of our subcommittee referred to, the National Defense Education Act undergraduate loan program—is, I think—and I say this in no particular partisan fashion—indicative of the priorities of the Administration. You know that 243 million dollars are appropriated for this program in the current fiscal year and while you want to kill that off, at the same time the Administration is urging us to vote something on the order of the same magnitude just to keep going on the SST. You have given us no evidence at all to persuade us that the proposed National Student Loan Association will in fact meet the needs of middle-income students.

So I want to strongly associate myself with the remarks of Mrs. Green at the outset. This is the same criticism that you heard voiced in this Committee last year.

Second, I am distressed that you provided no significant assistance for colleges and universities. I don't know whether you are familiar with this book, "The New Depression in Higher Education," published by the Carnegie Foundation, but I would be glad to send you a copy of it with an admonition that you read it. This report makes very clear the need for substantial expansion of Federal assistance to colleges and universities, many of which, especially the private ones, are in deep financial trouble, and among the forms of assistance recommended by the Carnegie Commission are construction grants and loans.

You make no provision, really, for assistance for construction grants and loans other than urging the college and university presidents to go down to their friendly neighbor banker and borrow the money.

A third principal weakness, as I see it, of your proposal is with respect to the Foundation for Higher Education. Now as you know, in another subcommittee we are considering President Nixon's proposed National Institute for Education, which I regard as a splendid initiative on the part of the President and I commend him warmly for it. It seems to me to hold out great promise of reform and change for good in American education at every level. But I think that your foundation has been put together so sloppily that it is intellectually very difficult to defend.

A year ago your predecessor, in this room, described the Foundation as a general purpose program and wanted to use it as an effort to kill off so-called categorical grants program. Today it has a different shape and size and description, although I confess having heard you today I am still not clear on exactly what it is you are trying to do with it. But if you are trying to use it as an instrument for innovation and experimentation in higher education, then it is not clear what its function is in association with the dimensions of the National Institute of Education as outlined by your own counsel.

What you are doing is moving in precisely the opposite direction that the Nixon administration has been moving in, namely, you are proliferating the bureaucracy in the Office of Education. Because now you are going to have a higher education section of the Office of Education spending money, you are going to have a higher education division of the National Institute of Education engaged in research, and you are going to have a Foundation for Higher Education. You will have three animals.

If we are logical, we ought to have a Foundation for Child Development, a Foundation for Vocational Technical Education. I remember very well Mrs. Green's putting the question to Clark Kerr a year ago—I believe I am correct—"If you had a dollar to spend on higher education or a dollar to spend on child development, what would you do?" Mr. Kerr, who was concerned with higher education, said he would put it in child development. Yet you single out higher education as uniquely suited to a foundation.

I should have thought vocational technical education might have an equally pressing demand. So, in all three respects, Mr. Secretary, I greet your proposals with minimum high regard.

Mrs. Green. The time of the gentleman has expired.

On the next go-around, I would ask the Secretary to respond to Mr. Brademas' analysis.

Mr. SCHEUER. My time is next, and I would be glad to yield my time.

Mrs. GREEN. Mr. Steiger, do you have questions?

Mr. STEIGER. Madam Chairman, I would be delighted to make it possible for the Secretary simply to respond to those questions asked by the gentleman from Indiana. I respectfully disagree with his analysis, but I would be fascinated by the Secretary's response.

Secretary RICHARDSON. I thank you both, Mr. Steiger and Mr. Scheuer, and you Madam Chairman, for giving me the opportunity to respond.

I am not sure whether that means I have 10 minutes in which to do it. I guess I don't need 10 minutes. I can only say to you, Mr. Brademas, that it is refreshing to have such clearcut targets for rebuttal. I hope that I can be almost as succinct in responding to each of your questions as you were in stating them.

First, as to the NDEA, I happen to have had, of course, more to do with the drafting of the NDEA in the first place than any single individual, and I can assure you that I would not be here to assist in its demise. What we are proposing is four times the amount of the student assistance on the same terms as the NDEA, than the $243 million to which you referred. In other words, we are proposing to make available approximately $1,200 million in student assistance. We are doing so, we believe, under arrangements including modifications for the secondary market proposal as compared with its form last year that will assure the availability of this greatly expanded amount for NDEA-type loans.

Second, on the point of assistance for colleges and universities, I think we can, first of all, identify the funds available under the proposed National Foundation as representing this assistance. But beyond that, the important point to be made here and now is, that the commissioner and I have been meeting with representatives of higher education community regularly since we both came into office, indeed since before he was officially on board, in order to discuss the role appropriate for the Federal Government in support of institutions of higher education. We do not believe that the proposals that have heretofore been presented, for example, a cost-of-education grant attached to student assistance, represent anything more than very shallow common denominators of proposed support for institutions of higher education.

We believe that the question of what should be the role of the Federal Government in the coming decade and more, and support of institutions is very different in kind, very different in cost, very different in source of support, requires much more thought than it has heretofore been given. And so we are not prepared at this particular juncture to urge any new Federal program of institutional aid.

Third, with respect to the issue of construction grants and loans, we are proposing subsidized loans that would fund $520 million in capital outlay for the institutions of higher education. This is an increase from $470 million in the previous fiscal year.

Finally, as to the distinction between the roles and functions of the proposed National Institute of Education and the National Foundation, basically the two are directed at very different functions. The National Institute of Education, as of course you very well know, is conceived of as an institute for the support of research in education, research affecting all levels of education involving issues, questions as basic as the cognitive process through issues such as the forms of teaching that best involve student and student costs.

The National Foundation, on the other hand, we propose as a vehicle for the support of reform in higher education. I touched, in my prepared statement and later in response to comments of the Chairman, on what we regard as some of the needs and opportunities for reform in higher education. We think that if we were to try to give the role of supporting that kind of innovation to a research-oriented institute that the function would tend to get lost. What we are talking about here, in the case of the Foundation, is not so much the development of the new knowledge as it is the funding of approaches to provision of new kinds of educational opportunities.The University Without Walls, already being funded by the Office of Education, is the kind of thing which could appropriately be funded by the Foundation.

We have in view, for example, ways whereby individuals might be able to attend a combination of work and courses at an institution both of which could be credited toward degrees, and so on, all of which we think are opportunities for support that might otherwise be difficult for new institutions or old ones seeking new ways of providing education might find difficult to get.

I might say finally that the Carnegie commission has, in fact, endorsed the proposal for the Foundation. Clark Kerr, as it chairman, has specifically endorsed it, specifically advocated it. As Mr. Dellenback has said, what we are aiming at here is to offer a means of supporting new forms for meeting newly defined needs.

Mrs. Green. The time of the gentleman from Wisconsin has expired. The gentleman from New York.

Mr. Scheuer. Mr. Secretary, we appreciate your remarks very much. I was a bit astonished to read the text of your remarks on page 4 where you describe the eligibility requirements for those of different income levels. It seems to me astonishing that the Federal Government would suggest a Federal program in aid to students that would depend on expectant family contributions which in turn would depend on the size of the family, the number of children in college, extraordinary family expenses, and capital assets. All of which would have an infinity of complicating elements.

Are there sicknesses? Are some of the kids in college or out of college? Is there a catastrophic illness in the family? What are the nature of the capital assets? To me it would be highly unfortunate if the Federal Government reached its long arm from Washington into these very sensitive, very personal, very private aspects of family life.

There are many middle-income families that don't particularly value a college education. This is particularly true of blue collar families where the parents achieved middle-income status without value of a college education, where very little value is put on college education, where a young person cannot depend on a family contribution. So I am astonished that the Administration wants to get into these most sensitive aspects of family life as a basis of determining what combination of Federal aid will be available to that family.

We do have a large and quite significant experiment in three universal post-secondary education projects. We had 17 million GI's go to school through the GI bill of rights after World War II. Of the 17 million, several million went through it at a cost of about $13 to $14 billion. Now the Veterans' Administration did a study several years ago which indicated that these GI's who enjoyed free post-secondary education—it wasn't all 4-year college education—have already paid back through increased taxes what the Federal Government invested and they are expected to do so twice again during their earning lifetimes.

Secretary RICHARDSON. Since Mr. Scheuer's statement is based on a misreading of the legislation, I ask whether I will have an opportunity to reply or whether the 5 minutes will have been exhausted before I am able to point out a misconception on which his remarks are based.

Mrs. GREEN. For you, Mr. Secretary, and for the members of the committee, I believe that the 5-minute rule which we have adopted requires a limit on the individual member's participation which has to include answers. Otherwise each person could spend the full 5 minutes in making a speech and just listing questions and then the response could take another 15 minutes.

Certainly while you are here you would have a chance to respond to the remarks of the gentleman from New York.

Secretary RICHARDSON. I think I might save him a little time and that of the committee also, if I pointed out that section 402, subsection (d) of the bill says that the determination of an individual student's family income and other factors described in paragraph 1 are factors of the kind that I have referred to already and pointed out on page 4 of my statement:

> Shall be made pursuant to regulations prescribed by the eligible institution to which he has made an application for assistance under this title and under which he is enrolled or to which he has been admitted.

The element of expected family contribution that is referred to here is the standard ordinarily applied by student assistance officers in determining the appropriate combination of grants assistance, loan assistance, and so on to be made available to the student. And we would not undertake and would not regard it as desirable or appropriate for the Federal Government to attempt to make that determination.

Mr. SCHEUER. There are extraordinary cost benefit implications for our society from the post-World War II post-secondary education program. As a moral matter at that time we restricted it to GIs. We felt we owed them a month's time of education for a month's loss out of their lives due to military service. Due to the extraordinary benefits that have come to our society, why are we not now considering such a program to every person who wants to maximize his skills and benefits?

Secretary RICHARDSON. I think what you are suggesting basically is that all post-secondary education should be made a cost chargeable to the public or to the people as a whole. This would, of course, mean a very expensive program in terms of Federal funds. It would mean a total change basically in our assumptions about individual responsibility toward the cost of higher education. Whatever may be the philosophical or theoretical merits in such a proposal, it is not, we think, one that can easily or practically be made under the present circumstances.

What we are doing essentially, therefore, is to try to target available funds toward the greater needs.

Mrs. GREEN. We are delighted to have the ranking member of the minority side with us, Congressman Quie.

Mr. QUIE. Thank you, Madam Chairman.

Mr. Secretary, I appreciate your testimony here. I would like to ask at the outset what would happen if the Congress did not appropriate the full increase you have requested? The total request for the EOG and the work-study is $575 million, a 70-percent increase. How would you work out this table of assistance if there was a 20-percent increase instead of a 70-percent increase? Judging from the experience of last year, it is conceivable that the Congress may not want to appropriate as much in grants to students as you have requested.

Can you provide this information for us? Could you do that?

Secretary RICHARDSON. We could do that. As you pointed out, the decision has to be made as to whether to scale down the amount of grants available to an individual or to maintain the proposed level of grants and reduce the number of individuals who could receive it.

We would also need to consider whether we propose to take up the difference through providing a proportionately greater amount of subsidized loans.

Mr. QUIE. Perhaps you would want to do it as alternatives. It could still give you the flexibility, because I recognize when you suggest a formula based on that alternative you don't want to freeze yourself in.

Secretary RICHARDSON. What I meant to point out is what we would need to do in responding to your request is to show various possible combinations reflecting these variables.

Mr. QUIE. Would you do the same thing if the Congress should appropriate, say, a larger amount both in grants and subsidized loans? Your table indicates that added to the $575 million in grants we have a Federal cost for your proposed loan program of $85 million. That is the total, is it not?

Secretary RICHARDSON. Yes, it is.

Mr. QUIE. Now if the Congress increased funding, you could select some amount greater than the combination of the two figures because some people have suggested we have not provided enough assistance for the middle-income individual. I have found out from talking to people that middle-income is usually their income. So I don't expect you to know whatever that is. You might try an alternative of going to $12,000 and than to $15,000 as two figures in the amount of money we would have to appropriate in order that you would use that figure rather than a $10,000 income figure.

Let me then ask you another question. You indicated, it seems to me in what you said, that you feel there may not be a necessity for all students to go on to a 4-year institution, even though you are going to give them an opportunity through this student loan program. Do you think that we have given enough alternatives to students who want to achieve some additional skills or additional knowledge after they leave high school?

Secretary **Richardson**. There is provided here that the available assistance could be taken advantage of for attendance at any institution, including proprietary institutions. Guaranteed loans would also be available to part-time students. But the result is in effect that the student assistance proposed here would not be available only for a 4-year institution.

Mr. **Quie**. Would the private proprietary institutions be able to receive anything other than a loan?

Secretary **Richardson**. Let me ask Mr. Muirhead to respond.

Mr. **Muirhead**. Yes, the bill as it is now before you, Mr. Quie, would extend the same benefits to students attending proprietary institutions as those that attend other institutions, if that proprietary institution has met the accreditation standards that apply to nonproprietary institutions.

We would be every pleased to provide for the record the number of students who will be affected that way.

Approximately 120,000 students attending proprietary post-secondary institutions would be eligible to receive aid under the Administration's proposals.

Mr. **Quie**. So both grants and loans will be available to all of them. I imagine the proprietary institution would be limited on costs?

Mr. **Muirhead**. Yes, in no case would the student assistance exceed the cost at the institution.

Mr. **Quie**. I wil pursue this further when I have more time.

Mrs. **Green**. Mr. Thompson?

Mr. **Thompson**. Thank you, Madam Chairman.

I don't have any specific questions, because it was some time before the statement and I realize that the statement given us earlier was changed by the Secretary. I think there is a lot of commendable initiative in here. There are also many things which are going to deserve very deep study. The foundation concept has been singled out for application only to higher education, and I wonder why, if such a concept has so much merit, it hasn't been applied to vocational education or to elementary-secondary education?

Secretary **Richardson**. I think the short answer, Mr. Thompson, is that we believe we are at a period in the history of higher education in which there is particular need to encourage reform and in which the only effective means of doing this which we see as available to the Federal Government is to provide funds to institutions, new or old, that are willing to undertake them and come forward with significant individual proposals that could serve as examples to other institutions.

Commissioner Marland, in his testimony, I think wants to go further into this. But I suppose what we have essentially is the kind of difference in degree between the situation of higher and second education which suggests to us that this kind of specifically focused foundation could be a valuable instrument of innovation and reform.

Mr. Thompson. Mr. Secretary, do you feel that if reform as you use the word is needed, that it is needed to a greater degree in the higher education programs than in vocational or elementary-secondary?

Secretary Richardson. I think it is a question in large part of the fact that in the case of elementary and secondary education we are dealing primarily with public assistance under State departments and local school districts. We can and do, through various authorities of the Office of Education, provide funds to demonstrate new, better, innovative methods. But in the case of higher education, which involves a complex mix, as you well know, of public and private institutions, we can, we think, more flexibly respond to new ideas through having a foundation of this kind under the direction of an independent head and with a board that can receive and judge their potential for contributing to innovation.

Mr. Thompson. That may well be the case, and I am not going to bicker with it now except that I note that throughout the testimony this foundation intends to give considerable amount of advice to public institutions. I will be very interested, if it becomes a fact, to see the reaction of some of these great private institutions to getting so much advice from Washington, particularly in the case of Harvard, I might say. And I will yield to one of the overseers of Harvard.

Mr. Brademas. I thank the gentleman.

I just want to make two quick points. One, it is, I think, significant that, Mr. Secretary, you are asking for only $3 million in planning funds for NIE next year, but $100 million for this foundation which is so ill defined and so ambiguous. Two, I know you would not wish to mislead the committee when you suggested that Clark Kerr had endorsed the foundation. The foundation was endorsed by the Carnegie Commission in December of 1968, before President Nixon made his proposal of the National Institute of Education in March of 1970. It may well be that Dr. Kerr favors it, but I think that one ought to be sure that one is seen in relation to another.

Secretary Richardson. May I answer that briefly, Madam Chairman?

Mrs. Green. Yes.

Secretary Richardson. On the $3 million for the National Institute of Education, Mr. Brademas has pointed out this is only planning money. In that case, it is clearly contemplated that the other sources of funding now in the Office of Education for support of educational research would become available to the foundation in a total amount of about $150 million, including the cooperative research program and vocational education research.

Mrs. Green. We welcome to the meeting this morning another gentleman from New York, Mr. Peyser.

Mr. Peyser. Thank you, Madam Chairman.

Mr. Secretary, just a quick question, if I may. I support the program of helping the poor student to get to college, and I also support very much the opportunity of the middle income or what we might call above the $15,000 or $12,000 level of having an opportunity to perhaps have a greater opportunity than is being illustrated in this bill today.

But one of the immediate problems that I see out of this, and I wonder how this is going to handled, colleges today, certainly the private institutions and in many cases the public institutions, have reached a capacity practically of student facilities. Now, do you envisage this program really bringing, as I do, a large increase again to the college level? And, if so, how are the colleges going to be able to finance the building programs that are going to immediately come up?

Secretary Richardson. We think that in the first place it will take some time for the impact of the legislation to be translated into substantially increased numbers seeking admission.

Mr. Marland may want to go into the analysis of these estimates in his testimony. Beyond that, the need for some expansion facilities is the reason why we are proposing expansion in the availability of subsidized construction loans. In the case, however, of private institutions, particularly 4-year institutions, there are I believe now in many areas substantial numbers of available spaces which the expansion of student assistance might help to fill.

Mr. Peyser. I would like to yield the balance of my time to Mr. Quie.

Mr. Green. Mr. Quie?

Mr. Quie. Mr. Secretary, in the last Congress the Congress tightened up a tax law which now precludes some private foundations from contributing to colleges and universities for the same kind of innovative programs you suggest for the foundation.

Would it be right to say that the Federal Government now is trying to provide direct assistance for innovative programs in higher education which once was being done from private foundations but now greatly reduced because of the tax laws?

Secretary Richardson. Mr. Quie, I do not believe that the new tax laws preclude the support of education. However, I think it is fair to say that we think that a National Foundation whose focus is on the encouragement of innovation and reform in higher education, and whose function this is, is less torn among competing claims than the private foundations are and could therefore have over time a more substantial aggregate impact.

Mr. Quie. The increased student enrollment that might be forthcoming from the additional grants such as we are providing in this legislation will place pressure on college space. Isn't it conceivable that the foundation could give some answers to shortening the length of time a person must spend in formal education? Couldn't we shorten the length of time it would take for their formal education in order to secure a job? This would actually make facilities available for a larger number of students in college. Aren't these questions the foundation could conceivably answer?

Secretary Richardson. Yes, it is certainly one of the things that we hope it would provide answers to. Not only could it help to encourage new ways of shortening the period of formal education, but as I indicated earlier it could help to make it more easily possible to defer or interrupt formal education by periods of work in order to help bring into our colleges a larger number of those highly motivated people who were brought in, as Mr. Scheuer pointed out, by the GI bill.

Both of these things are among the kinds of things we hope would be encouraged.

Mrs. Green. The time of the gentleman from New York has expired.

The gentleman from Illinois.

Mr. Pucinski. Thank you, Madam Chairman.

Mr. Secretary, I would like to welcome you here along with the distinguished commissioner and the deputy commissioner. You said in your statement there were going to be too many youngsters enrolling in postsecondary schools this year. In my State, 57 percent of our freshmen enroll in community colleges. I imagine this is true all over the country. How would this legislation help the community college youngster?

Secretary Richardson. It would help eventually in the ways in which it would help a student who attended any other college. It would help him if he is from a family of limited income or with many claims on its income. It could provide grants to him for the cost of attending the institution, including, of course, tuition.

Mr. Pucinski. Many of these colleges do not charge tuition and they are in very serious financial straits. Would there be any objection in the wake of this program for these colleges to start charging tuition and would this be a source of additional help to them?

Secretary Richardson. It probably would be, although we think that the question of financing the costs of the institution, above whatever the fees or tuition income it receives, ought to be a question of determining, independently, the availability of student support.

Mr. Pucinski. You have no objection to this loan program being applied to community college students?

Secretary Richardson. Not at all. In fact, we expect that it would be. When I talk about the costs of education for the student, I mean to include not only tuition, if any, but his own costs of living during the period of his education.

Mr. Pucinski. Now, Mr. Secretary, we also have a large number of young people attending colleges on a part-time basis. Would this loan program be available to the part-time student?

Secretary Richardson. It would be, the guaranteed loans would be available. Let me be sure I am right on this.

Mr. Muirhead?

Mr. Muirhead. The foundation program that the Secretary has described would not be available to part-time students. It would be available to full-time students. The rationale for that, Mr. Pucinski, is that this foundation program would cover the full costs at community colleges and thus perhaps would encourage part-time students to attend full time.

Mr. Pucinski. For various reasons a part-time student cannot attend full time college, would you have any objection if we amended this legislation to make this program available to part-time students?

Mr. Muirhead. He would have available to him now under the proposal that is before you the guaranteed loan program with the Federal guarantee behind it.

Mr. **Pucinski.** What about foundation grants? Why should we discriminate against the youngster who can't go to a full-time course and still wants to take part-time studies? It takes him longer to complete the education, but the net gain, the ultimate result is the same. Why should we discriminate against that youngster?

As a matter of fact, the low-income student has to take that part-time, because if you want to help the low income person, don't you think we ought to make this available, this part-time study to him?

Mr. **Muirhead.** We are trying to reach the low-income student, and we are trying to encourage him to complete his education.

Mr. **Pucinski.** Why don't you let him be the judge of his own destiny? As long as he makes a decision, he has to attend school on a part-time basis for whatever reason it might be, why not make this program available to him if he is a part-time student?

Secretary **Richardson.** May I just say the work-study program, of course, does contemplate that a student will, in addition to the equal opportunity grant, be doing some work. Now, if he is a really part-time student, the other part of his time is presumably occupied in gainful employment; he may be working full-time.

Mr. **Pucinski.** He may be feeding his family, too.

Secretary **Richardson.** The question really is, then, whether there is the same need to provide grant assistance to a student in that situation as to a student who is in full-time attendance in an institution and therefore not in a position beyond the work-study program to earn a living.

Mr. **Pucinski.** Wouldn't the family financial statement that you now require for a full-time student reveal whether or not he qualifies and shouldn't you then apply the same standards?

The point I am thinking of is, all over this country there are a large number of Americans trying to improve themselves and they cannot attend full-time courses for various reasons; they have a family to support, for example. Why would you say because he is a part-time student he can't take advantage of these programs?

Secretary **Richardson.** The only answer is the one I have given you. I think it is true, as suggested, that you apply some consistent standard of financial need under this program that might bring in such individuals, and this certainly is something we would be glad to work with the committee on.

Mr. **Pucinski.** One final question, Mr. Secretary. I am looking at the family financial statement to qualify for loans and I tell you that the questions we ask in these things far exceed the needs that are necessary to qualify for loans.

You said in answer to Mr. Scheuer, that the individual schools set up regulations. But I wonder if you would be good enough to supply the committee with your proposed guidelines and instructions on these loans. When you look over them, they require the last 2 years of income taxes, the tax deductions, the value of all the savings in banks, the market value of your home, the debts, the mortgages, the value of your stocks. These are questions that I think go way beyond the information that ought to be necessary, and I know that we say the income tax is secret between the taxpayer and his government.

Can we eliminate some of the soul searching that goes on before a family can get some assistance?

Mrs. GREEN. The time of the gentleman has expired, and I wonder if you would supply that material, Mr. Secretary, copies of the guidelines and regulations that are in effect now?

Secretary RICHARDSON. I think what Mr. Pucinski refers to is the form used by colleges and universities, not by the Federal Government. However, we will provide this in whatever forms are available.

Mrs. GREEN. Your rules and regulations do require that the university make each student applying for aid complete such a form, do they not?

Secretary RICHARDSON. Yes; I am sure in substance this is true. It is fair to say that the kinds of information that are required are the kinds of information which colleges and universities have always traditionally required in the administration of their student assistance program.

(The information referred to follows:)

DETERMINING FINANCIAL NEED UNDER MAJOR FEDERAL PROGRAMS OF STUDENT FINANCIAL AID

Under the existing student financial aid programs, institutions annually sign an "Agreement" covering participation which calls, among other things, for the use of systematic methods for determining the financial need of applicants under the programs. Institutions agree to "give preference to students from low-income families" under the College Work-Study Program and to award Educational Opportunity Grants to those students who have "exceptional financial need." Institutions further must indicate that they use one of four suggested student financial need assessment systems, or they may provide a complete description of any other system employed. (See Attachment I)

The College Scholarship Service and the Financial Need Analysis Service of the American College Testing Program both are recognized as acceptable need assessment systems. In addition, the Division of Student Financial Aid has published (last edition in March 1968) a booklet describing the principles of need analysis. This publication, *Determining Awards Under Federal Student Aid Programs*, presents two additional need assessment systems that might be employed by a college, the Federal Income Tax System and the Alternate Income System. A sample data collection document for family financial circumstances is suggested and illustrated in the booklet. (See Attachment II)

Under the three college-based programs, the Division of Student Financial Aid has not attempted to establish specific guidelines for the collection of financial information from parents, nor has it become involved in any way in the actual collection of family financial information. Institutions may use anything from a parental affadavit of nonsupport to lengthy and complex questionnaires, as long as they attest to using "systematic methods" for determining the financial need of applicants.

The Student Application for Federally Insured Loans, under the Guaranteed Loan Program, is the only approved form issued by the Division of Student Financial Aid for the collection of family financial information. This document is designed to serve banks and other lenders in determining student eligibility for Federal subsidized loan assistance. (See Attachment III)

It has been accepted that it is the role and responsibility of the financial aid officer to review the financial circumstances of the family and to make an evaluation which is equitable for the student, and systematic and fair in the dispersal of Federal student aid funds. It is extremely difficult to draw a line between the data essential to equitable need assessment and that point where the questions asked begin to invade the realm of personal privacy. As long as financial need is a determining factor for student aid programs, it is necessary for all applicants to provide family income data sufficient to substantiate that financial need.

ATTACHMENT I.—AGREEMENT COVERING INSTITUTIONAL PARTICIPATION IN PROGRAMS OF STUDENT FINANCIAL AID

Pursuant to and subject to the provisions of parts A and C of Title IV of the Higher Education Act of 1965 (P.L. 89–329), as amended, and Title II of the National Defense Education Act of 1958 (P.L. 85–864), as amended, and the Regulations issued pursuant thereto

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(Name and Location of Institution)

(hereinafter referred to as the "Institution") and the Commissioner of Education, U.S. Department of Health, Education, and Welfare (hereinafter referred to as the "Commissioner") in order to provide for the conduct of each of the programs of student financial aid identified in Article I hereof (hereinafter referred to as the "Programs") hereby agree to the terms of Articles I, II, and VII, and so much of the remaining Articles of this Agreement as are applicable to each program identified in Article I hereof.

ARTICLE I. SCOPE OF COVERAGE

This Agreement covers the Institution's participation in each of the following checked programs:

Educational Opportunity Grants Program (EOGP) Part A, Title IV of the Higher Education Act of 1965.

College Work-Study Program (CWSP) Part C, Title IV of the Higher Education Act of 1965.

National Defense Student Loan Program (NDSLP) Title II of the National Defense Education Act of 1958.

and becomes effective on the date executed by the Commissioner.

ARTICLE II. GENERAL PROVISIONS APPLICABLE TO ALL PROGRAMS

1. The Institution shall use the funds which may be granted to it from time to time pursuant to applications submitted under this Agreement to the extent specified in such grant award for making deposits into its National Defense Student Loan Fund, for making payments to students who have received Educational Opportunity Grants, or for compensating students who are employed under the Institution's College Work-Study Program. An amount not in excess of 3% per fiscal year of:

(*a*) The Institution's expenditures from its allocation of Federal funds for such year for Educational Opportunity Grants,

(*b*) its total expenditures for such year for compensation (including the non-Federal share of such compensation) of students under its College Work-Study Program,

(*c*) the principal amount of loans made from its National Defense Student Loan Fund during such year

may, in the case of the College Work-Study and Educational Opportunity Grants programs, be withdrawn from their respective allocations or, in the case of the National Defense Student Loan Program, from its Fund, by the Institution as a payment in lieu of reimbursement for administrative expenses: *Provided, however*, that the total of the amounts so withdrawn for a particular fiscal year may not exceed $125,000.

2. The Institution shall: (a) maintain adequate records reflecting the transactions under each of the Programs, including withdrawals for administrative expenses, which records shall include sufficient information to indicate the basis of approval or disapproval of each student application for assistance; (b) retain such records for such periods of time as may be prescribed by the Commissioner; (c) submit such reports and information as the Commissioner may reasonably require in connection with the administration of the Programs; and (d) comply with such procedures as he may find necessary to insure the accuracy of such records and reports.

3. The Institution shall use systematic methods for determining the financial need of applicants under the Programs, as indicated in Schedule A.

4. The Institution shall establish procedures for making loans from the Fund, Educational Opportunity Grants and employment under the College Work-Study

Program (or equivalent employment offered or arranged for by the Institution) reasonably available (to the extent of available funds) to all students eligible for each particular type of assistance. The Institution shall, to the extent feasible, make every effort to coordinate such of the Programs for which it has received an allocation of funds and its other financial aid programs.

5. To be eligible for assistance under any of the Programs the student must, among other things, (a) have been accepted for enrollment or in the case of a student already attending an Institution, be in good standing, (b) be capable in the opinion of the Institution of maintaining good standing and (c) be in need of such assistance to pursue his course of study. In addition, in selecting students for employment under its College Work-Study Program, the Institution shall give preference to students from low-income families. Students awarded Educational Opportunity Grants must have exceptional financial need, as determined by the Institution in accordance with criteria and schedules prescribed by the Commissioner, and but for an Educational Opportunity Grant, not financially able to pursue his course of study at such Institution.

6. In addition, in order to be eligible for any assistance provided hereunder, the student must: (a) be a citizen or national of the United States, or in the United States for other than a temporary purpose and intend to become a permanent resident thereof, or a permanent resident of the Trust Territory of the Pacific Islands, and (b) meet the particular program requirements regarding enrollment, good standing, and level of study, as set forth below.

7. The assistance made available pursuant to this Agreement is subject to the Regulations in 45 CFR, Part 80, issued by the Secretary of the Department of Health, Education and Welfare and approved by the President to effectuate the provision of Section 601 of the Civil Rights Act of 1964.

8. The Institution shall take such steps as are necessary and appropriate to assure that the financial assistance provided for under this agreement is not made available to students where prohibited by Section 504 of the Higher Education Amendments of 1968 (P.L. 90–575), or Section 411 of the DHEW Appropriation Act of 1969 (P.L. 90–557).

ARTICLE III. MAINTENANCE OF EFFORT

1. For each fiscal year for which it receives an allocation of funds under either the College Work-Study Program or Educational Opportunity Grants Program, or both, the Institution shall continue to expend, in its other student aid programs from sources other than funds received under this Agreement (or agreements superseded by this Agreement), an amount which is not less than the average expenditure per year made for that purpose during the three fiscal years preceding (a) the effective date of this Agreement, or (b) the fiscal year for which the Institution receives its first allocation of funds under either the College Work-Study Program, or (c) the fiscal year for which the Institution receives its first allocation of funds under the Educational Opportunity Grants Program, whichever is latest.

2. The Institution shall not be deemed to have failed to meet the requirements of paragraph 1 of this Article if its inability to expend the amount required thereunder is solely attributable to the withdrawal of funds for student aid programs from outside sources.

ARTICLE IV. SPECIAL TERMS APPLICABLE TO THE EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

1. The Institution shall make Grants available only to those full-time undergraduate students who meet the eligibility criteria stated in Article II, paragraphs 5 and 6.

2. The amount of the Grant and its duration shall be determined and payments thereunder shall be made in accordance with such policies and procedures as the Commissioner may prescribe.

3. The Institution shall make vigorous effort to identify youths of exceptional need and encourage them to continue their education beyond secondary school through such methods as:

(*a*) Establishing or strengthening close working relationships with other institutions of higher education, secondary school principals, guidance and counseling personnel, and community action agencies with a view toward motivating students to complete secondary school and pursue post-secondary school education opportunities; and (*b*) Making, to the extent feasible, conditional commitments for Educational Opportunity Grants to secondary school students with special emphasis on students enrolled in grade 11 or lower who show evidences of academic or creative promise.

ARTICLE V. SPECIAL TERMS APPLICABLE TO THE COLLEGE WORK-STUDY PROGRAM

1. The Institution will conduct a program of part-time employment of eligible students in work for the Institution itself, except in the case of proprietary institution of higher education, or work in the public interest for a public or private non-profit organization, other than the Institution, under a written arrangement between the Institution and such organization.

2. Any such work:

(*a*) Must not result in the displacement of employed workers or impair existing contracts for services;

(*b*) Must be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee;

(*c*) Must not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and

(*d*) Must not involve any partisan or nonpartisan political activity associated with a candidate, or contending faction or group in an election for public or party office.

3. The Institution shall be responsible for ensuring that any public or private nonprofit organization with which it enters into an arrangement is a reliable organization with professional direction and staff, and that the work to be performed by the student is in the public interest, properly supervised, and consistent with the purpose of the program. In no event shall work be considered to be in the public interest where (a) it is work for which the political support or affiliation of the student is a prerequisite or consideration for employment, (b) it is work to be performed for an elected official other than as part of the regular administration of Federal, State or local government, or (c) it is work which is primarily for the benefit of members of a limited membership organization (such as a credit union, fraternal order or a cooperative) rather than the public.

4. In making employment available under the College Work-Study Program, the Institution shall give preference to students from low-income families and shall make such employment available only to (a) students who meet the eligibility requirements stated in Article II, paragraphs 5 and 6 and (b) students who (i) are full-time undergraduate, graduate or professional students or (ii) in cases where the Institution is an area vocational school, have a certificate of graduation from a secondary school or the recognized equivalent thereof and are full-time students pursuing a program of education and training which requires at least six months to complete and is designed to prepare them for gainful employment in a recognized occupation.

5. The Institution shall provide that the hours of employment of a student under the College Work-Study Program shall not exceed an average of fifteen per week during periods of regular enrollment during which the student is enrolled in classes. Employment during periods of non-regular enrollment during which classes in which the student is enrolled are in session and during all other periods shall be in accordance with program regulations.

6. The Federal share of the compensation of students employed in a College Work-Study Program covered by this Agreement shall not exceed 80 percent of such compensation for part-time employment, except in unusual cases as may be approved by the Commissioner pursant to program regulations.

ARTICLE VI. SPECIAL TERMS APPLICABLE TO NATIONAL DEFENSE STUDENT LOAN PROGRAM

1. The Institution shall establish a National Defense Student Loan Fund for the purpose of making loans to eligible students. There shall be deposited promptly in such Fund:

(*a*) Federal Capital Contributions received by the Institution pursuant to Section 203 of the Act;

(*b*) An amount, equal to not less than one-ninth of such Federal contributions, to be provided by the Institutions;

(*c*) Collections of principal and interest on student loans made from the Fund;

(*d*) Charges collected pursuant to Section 205(c) of the Act; and

(*e*) Any other earnings of the Fund.

2. The Fund shall be used only for loans to students in accordance with this Agreement; for capital distributions as provided in Section 206 of the Act; for withdrawals pursuant to Article II, paragraph I, of this Agreement; and for costs of litigation, and other collection costs as agreed to by the Commissioner arising in connection with the collection of any loan from the Fund or interest thereon, or any charges assessed pursuant to Section 205(c) of the Act.

3. The Fund shall be deposited and carried in a special account of the Institution.

4. No payments shall be made from the Fund to any student unless such student has taken and subscribed to the oath or affirmation specified in section 1001 (f) (I) of the Act.

5. The Institution shall accept responsibility for and use due diligence in effecting the collection of the principal and interest due and payable on loans made from the Fund.

6. Proprietary Institutions shall meet such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance under this program to students has not, and will not, increase the tuition, fees or other charges of the Institution.

7. The Institution shall make loans under this program available only to those full- or half-time undergraduate, graduate or professional students who meet the eligibility requirements stated in Article II, paragraph 5 and 6.

ARTICLE VII. TERMINATION AND SUSPENSION OF AGREEMENT

1. This Agreement shall terminate on the first anniversary of its effective date. It is the intention of the parties either to extend this Agreement or to enter into a new Agreement for subsequent years. This Agreement, however, may be terminated by either party upon 90-days notice to the other party. Termination shall not effect obligations previously incurred by either party under the Agreement. In the event of termination the Commissioner will advise the Institution as to what procedures are to be employed in terminating the Institution's operations hereunder.

2. If the Commissioner finds that any of the assurances or representations made in connection with this Agreement or any application for funds hereunder to be incomplete or incorrect in any material respect or that there has been a failure to comply with any of the provisions of the Agreement, he may after notice of and an opportunity afforded for a hearing take such action as may be necessary and appropriate to protect the interests of the United States.

------------------------------------	------------------------------------
For the Commissioner	For the Institution
------------------------------------	------------------------------------
Date	* Title

	Date

This agreement covers participation of

Name and Location of Institution

in each of the following checked programs:

[ ] Educational Opportunity Grants Program (P.L. 89–329) as amended.
[ ] College Work-Study Program (P.L. 89–329) as amended.
[ ] National Defense Student Loan Program (P.L. 85–864) as amended.

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* An officer legally authorized to execute this Agreement for and on behalf of the Institution.

Schedule A

The following method(s) of student financial need assesssment will be in use during the period covered by this agreement. Check the appropriate box(s).

[ ] American College Testing Program—Financial Need Analysis.
[ ] College Scholarship Service.
[ ] Income Tax Method.
[ ] Alternate Income System.
[ ] Other (Specify major elements in the system if this entry checked). Attach additional sheet if necessary.

ATTACHMENT II.—DETERMINING AWARDS UNDER FEDERAL STUDENT AID PROGRAMS

FOREWORD TO SECOND REVISED EDITION

The booklet "*Determining Awards Under Federal Student Aid Programs*" was produced originally by the College Scholarship Service, under contract with the Office of Education, to assist financial aid officers in institutions of higher education in making determinations of student financial need consistent with the rules and regulations established by the Commissioner for the implementation of the Federal Student Financial Aid Programs administered by the Division of Student Financial Aid, Bureau of Higher Education: The National Defense Student Loan Program, the College Work-Study Program, and, in particular, the Educational Opportunity Grants Program.

Stocks of the original booklet were exhausted some months ago. This abbreviated version has been developed, as an interim measure, to meet the needs of those institutions which will be participating in the Federal Student Financial Aid Programs for the first time in Fiscal Year 1969.

Administrative manuals have been developed by each of these programs since the original "determining Awards" booklet appeared. For this reason, only those portions of the original text which reflect material not discussed elsewhere have been retained here. In particular, emphasis is placed on the computation of the expected parental contribution from income and assets toward educational costs, under the Federal Income Tax System and under the Alternate or Income System. A completely revised version of "*Determining Awards Under Federal Student Aid Programs*" is in preparation and will be distributed to all participating institutions in 1968.

I. INTRODUCTION

The Federal grant, loan, and work-study programs are designed for students who are admissible to post-secondary institutions or who are enrolled in such institutions, who are in need of assistance to pay their college expenses, and who are in "academic good standing."

Before need analysis is discussed, an additional comment about the academic eligibility is important. The Congressional intent is that financial need shall be a fundamental requirement for award of this Federal assistance, but superior academic promise of performance shall not. The Draft Regulations for Educational Opportunity Grants, issued by the Office of Education in February 1966, specify that a student is eligible if he "has been accepted for enrollment as a full-time undergraduate student, or is in good standing and in full-time attendance as an undergraduate student."

It must be remembered that these programs are "opportunity" programs and no "scholarship" programs, as many gift-aid programs more typically are. In the Federal grant, work, and loan programs, the intent of the phrase "in good standing" is to include, as a minimum, all students progressing normally toward a degree. It may also include, at the discretion of the institution, all those eligible to continue as enrolled students at the institution, including those who may be temporarily on academic probation. "Good standing" is in no way meant to suggest that a student must be expected to or must actually maintain a strong academic average.

The successful implementation of these programs requires that institutions accept the flexibility of the academic requirements that are to be applied to students being considered for Federal funds. This may be in conflict with the procedures many institutions have developed (and may wish to continue to utilize) in the awarding of the non-Federal funds under their jurisdiction, particularly gift assistance. This conflict may trouble some institutions, but it is an issue that must be faced. An institution can either make the academic requirements for the other aid under its jurisdiction more flexible, or it can operate on two different standards—one for its own programs and a differenent one for the Federal grants, loans, and jobs. The Federal student assistance programs require that a student is, and will continue to be, eligible for assistance under them as long as:

1. The student is allowed to remain in the institution.
2. He continues to show academic promise.
3. It is reasonable to expect that he will be graduated.
4. The Federal funds continue to be available.
5. The financial need remains.

Flexibility regarding academic criteria is explicitly encouraged with respect to Educational Opportunity Grants. Section 403 of the Higher Education Act of 1965 carries the clear suggestion that such grants be renewed for the duration of the recipient's undergraduate program, not to exceed four academic years, as long as he maintains satisfactory progress in his course of study.

The fact that one of the major intents of the Higher Education Act is to reduce dropouts and to encourage re-entry into educational programs of those who may have dropped out lends further strength to the importance of the renewal of the awards. The absence of renewals and of the necessary matching funds to meet need could well cause recipients to drop out of college for financial reasons. Forced withdrawals by the very students who, by definition, are particularly in need would clearly be in contradiction to the intent of the Educationanl Opportunity Grants Program, its encouragement of the full utilization of educational talent, and the elimination of unnecessary dropouts on the part of those with the ability to pursue post-secondary programs profitably.

Even though the academic qualifications of students selected to receive funds under the Federal programs are not rigorous, the financial need qualifications definitely are. Successful administration of these programs by colleges, particularly the Educational Opportunity Grants Program, will require the colleges to identify young men and women of exceptional financial need, to determine the amount of assistance they need to continue their education beyond high school, and to offer a package of financial assistance adequate to meet each student's needs.

II. WHAT IS FINANCIAL NEED?

Financial need is the difference between the amount of money a student and his family can provide for an education and the expense of that education. Financial need is not a term synonymous with poverty. It is related to college expenses as well as family financial strength. While maintaining its objectively measured standard of living, a family that would need substantial financial aid to send its child to one college might need much less to meet the child's expenses at another institution. Two elements must always be considered:

1. The amount of money the student and his family can reasonably be expected to contribute toward a definite period of education, usually an academic year.
2. The expense of the education during that period at the institution of higher education the student plans to attend.

Financial need is the difference between these two amounts. The greater the difference the greater the need, measured on a scale relative to college expenses.

In assessing eligibility for the Federal programs, particularly for the Educational Opportunity Grants Program, the institution should determine financial need as measured on an absolute scale relative to the amount the parents of the student can contribute toward the expense of education at any institution.

Eligibility for the Educational Opportunity Grants Program is limited to students of "exceptional financial need" as measured on the absolute scale of parental contribution. These are students from families in which the parents are able to contribute up to approximately $625 an academic year.

III. HOW TO MEASURE A FAMILY'S ABILITY TO PAY (UNDER THE FEDERAL INCOME TAX SYSTEM AND THE ALTERNATE OR INCOME SYSTEM)

A. COMPUTING THE PARENTS' EXPECTED CONTRIBUTION

The Federally financed student assistance programs assume that a student and his parents have the primary obligation to pay for the education of the student. Parents are expected to provide, as well as they are able, the basic essentials of life whether the student lives at home or on the college campus. The student is expected to use a portion of his own savings to assist in meeting the expense of his education. When these responsibilities have been met, the college, society, or the government may accept the additional responsibility through programs of student financial assistance.

All need analysis systems recognize that a certain level of income and assets is necessary to maintain a family. It is only when income and assets exceed this level that funds are considered to be available to assist in meeting the expense of education.

A system of evaluating ability to pay for college expenses must relate in some way to the total financial strength of a family. No need analysis system can scientifically provide an exact recommendation of the contribution that can be expected from any particular family. Financial need analysis can only indicate the approximate contributions that can be expected from a family. It is the role and responsibility of the financial aid officer to review the financial circumstances of the family and make an evaluation which adequately reflects the particular problems that must be faced by a particular family living in a particular situation. This section discusses two methods by which the financial aid officer may estimate the amount that the parents can be expected to contribute toward the expense of a college education.

The first essential of any need analysis system is data collection. The financial aid officer must collect information about the financial circumstances of the family under consideration. The data collection device must permit the family to list:

1. All the sources of income that the family has available. Items such as salaries and wages, interest and dividends, public assistance payments, and other types of income must be included.
2. All the major assets that the family has available. Items usually included are residence equity, value of other real estate, value of family-owned businesses or farms, stocks, bonds, bank accounts, and other investments.
3. The unusual expenses that the family must meet from its income and assets. Working mothers, other dependents, medical and dental needs, indebtedness, and so forth may create extraordinary expenses that should be included.
4. Special problems that the family faces or expects to face. Such circumstances as illness of the working parent, anticipated expenses for home maintenance, and so forth should be described.

It is important not only to obtain the information that the financial aid officer must have to make his evaluation, but also to provide the family with an opportunity to explain the circumstances which it feels are important and should be known. In addition to providing additional information from which to estimate the ability of the family to pay the expenses of a college education, this information will frequently provide an insight into the attitudes of the family about college attendance.

Federal Income Tax System

The graduated Federal income tax is generally accepted as a fair and equitable method of assessing the economic status of a family unit. For most of the families in the United States, the Federal income tax paid bears a relatively direct relationship to the amount of income that the family receives and the unusual expenses that it must pay from its income. The amount of Federal income tax paid, therefore, may be used as one basis for determining the amount of money the family can be expected to contribute from income toward meeting the expense of a college education.

Use of the Federal income tax paid as a measure of ability to pay for the expense of higher education has special advantages for many families and for many institutions. It does not require that the family maintain special records about its income and expenditures, nor does it require that it make additional calculations. It uses information that is readily available to most families. The system is easily explained and generally understood. It has the tendency to eliminate some of the value judgments that are necessary in other systems of need analysis. The information can be verified; with the cooperation of the family it is possible for the institutional financial aid officer to obtain a certified copy of the Federal income tax return from the Internal Revenue Service.

The system works quite simply. The family is asked to provide information about its income and expenses taken directly from Form 1040 or 1040A of its last two Federal income tax returns. This information is used by the financial aid officer to compute the amount of Federal income tax paid last year (or to verify the amount that the family has indicated on the data collection form). For families that itemize their deductions, the reported tax can be verified through use of the marginal taxation rates given in Table I. For families that take the standard deduction, Table II may be used to verify the amount of income tax reported.

For families in which there is a general stability of income from year to year (as is the case with most salaried workers), the amount of income tax paid last year can be used in estimating the amount of money that the family can be expected to contribute from its income. In those cases in which the amount of the family's income has changed significantly during the past two years, the contribution from family income can be estimated by use of the average income tax paid during the two years reported on the form.

Next, the family is asked to provide information about its assets and investments. These items include:

1. Home equity—the fair market value of the home minus the amount of mortgage or home improvement loans outstanding.

2. Other real estate equity—the fair market value of any other real estate owned by the family, minus the amount of mortgage or improvement loans outstanding.

3. Value of business or farm—the total assets (fixed and current) of the farm or business less the total liabilities (fixed and current) of the business. If the family owns only a portion of the business or farm, the value must be adjusted to reflect its share of ownership.

4. Bank accounts—both savings and checking.

Other investments—including stocks, bonds, loans that the family has made to others, and so forth.

The value of these assets is totaled, and an allowance of $10,000 is made against the total to provide for the retirement needs of the family and to allow for other financial commitments (any indebtedness) that the family may have outstanding. A contribution of 1 percent of the assets beyond $10,000 can be reasonably expected toward the expenses of college each year.

The contribution from family income, derived from the amount of income tax paid, and the contribution from family assets are then added together to provide the total parental contribution.

There are some disadvantages to the use of this system. Many families, reasonably or unreasonably, have a strong reluctance to divulge information which they have submitted to the Internal Revenue Service. Some are concerned that release of such information will prejudice their position with the Internal Revenue Service in future years. They may look upon it as an attempt to audit their tax return. Others may see it as a way of verifying information that they have given to other agencies, such as the welfare department, and may be concerned that disclosures of the information may affect the benefits that they are receiving.

The Federal income tax system does not take into consideration certain circumstances which can affect the family's ability to pay. When a family computes the Federal income tax it will pay, no allowance is made, for example, for the costs of educating an older brother or sister who may be attending the same or a different college. Such an expenditure does affect the family's ability to contribute to the expense of the applicant's education. Allowance is also made for other dependents only if the parents provide more than half of their support. In many instances the family may be making a significant contribution to an aged grandparent, aunt, or uncle, which will influence its ability to contribute toward a child's education, even though the amount may not be sufficient to provide it with a deduction on its Federal income tax. It is generally agreed that it costs a family more for two people to earn a given income than for one person to earn the same income. The Federal income tax system does not make any allowance for the additional expenses of a working mother. These are examples of expenses that the financial aid officer may wish to consider in making evaluations of the family financial circumstances as they affect the ability to pay for a college education.

Finally, this system is based on information that may be out-of-date by the time the funds are actually given to the student. Financial aid applications received in the spring, for awards to be made in September, will be based on information for the year ending the preceding December. In some cases significant changes in family circumstances will have occurred and the contribution that has been calculated may be unfair to the family or to the college. If there is any indication that such changes may have occurred, the financial aid officer will be well advised to verify the information he received in the spring with later data obtained at the time of registration in the fall.

This problem exists with any need analysis system, since circumstances do change. The only point to emphasize here is that a system reflecting actual income for an expired year is more likely to be out-of-date than one using projected income estimates from families for the current year—the year in which the student actually enrolls in or continues in his post-secondary school program.

A sample data collection form that may be used with the Federal income tax system of computing the family's ability to pay is shown at the end of this publication.

An Alternate Approach, the Income System

As has been shown, any system of need analysis that is sensitive to the unusual and unique situations of families will use a number of different variables. For many families, these more complicated systems are not necessary because the family circumstances are not complicated. In addition, the lower the family income and assets, the less impact complicated circumstances can have on the parental contribution figure because that figure is low by definition. It cannot, therefore, be reduced greatly by tax deductions or by allowances.

An alternate system, which can be referred to simply as the "income system," utilizes family income directly for the identification of the family contribution from income. The financial aid officer need only know the family's income and number of dependents to determine, from Table III, the contribution that may reasonably be expected from the family income. Family assets are then treated as in the Federal income tax system—all assets are totaled, an allowance of $10,000 is granted against them, and a contribution of 1 percent of the remainder is expected from the family.

To apply this system, the institution need only collect the following information from the family.

Annual income from wages, salaries, and other sources
Number of dependent children
Net assets, including real estate equity (home and other), bank accounts, investments, and value of farm or business. This system obviously has the advantages of requiring relatively simple data collection and relatively few steps in computing the parents' contribution. It has the disadvantage of not accommodating any unusual expenses that the family may incur and that may affect its ability to meet college expenses.

Sample Case

One sample case, the Adams case, is presented at the end of this booklet, on the data collection form suggested for use with the Federal Income Tax System.

This family includes a father, aged 50, who earns $4,200 and a mother who earns $1,000, two children, the applicant, Thomas, aged 17, and a younger sister, aged 12. The family lists medical expenses of $450 in 1965 and of $465 in 1966.

The results of the need analyses under each system are summarized briefly below. Under the Federal Income Tax System the parental contribution figure is just under $300, but in the alternate or income system, which is less sensitive, it is $350.

(*a*) *Federal Income Tax System*

As is indicated on line 13, the Adams family paid a Federal income tax of $290 for 1965, and its assets of $7,500 are below $10,000. Therefore, their parental contribution would be $290, based on itemized deductions of $800, of which $300 reflects medical expenses in excess of 3 percent of income.

(*b*) *Alternate or Income System*

Under the alternate or income system, Table III may be used directly. For an income of $5,200 and two children, the parental contribution would be $350.

As in the Federal Income Tax System, there is no additional contribution from the assets of $7,500 since they are below $10,000. Therefore, the total parental contribution would be $350.

B. OTHER FACTORS IN COMPUTING FINANCIAL NEED

The parents' contribution, as calculated by one of the foregoing methods, is the basic element in computing financial need. It also forms the primary basis of eligibility for consideration in the Educational Opportunity Grants Program. But in order to reflect the applicant's financial circumstances accurately, the financial aid officer must take into account three other factors:

The amount that can be expected from the student's savings.

The amount that the student can be expected to earn during the summer preceding his registration.

The expenses that the student will have during the academic year of study.

Student savings and Earnings

The savings that the student has accumulated during the preceding years certainly can be considered as one source of meeting the expense of his college education. In an effort not to exhaust the savings too quickly and to allow the recipient some flexibility in the use of loans and part-time employment, many colleges divide student savings by the number of years the student will remain in college and expect the resulting amount to be made available during each year.

Each college must evaluate for itself the reasonable expectation that it can make for savings from the summer earnings of its students. Colleges that draw heavily from urban areas may expect more: colleges that draw from rural areas may expect less. Institutions also should be ready to make individual exceptions where justified by special circumstances; for instance, a student may be unable to find any employment or may have to use all his summer earnings to assist in the support of his family.

The following amounts can be used as general guidelines for the savings that can be expected from student summer earnings:

Rank of the student	Men	Women
Prefreshman	$300	$200
Presophomore	350	250
Prejunior	400	300
Presenior	450	350

Determining a student budget for an academic year

The final important element in the assessment of student financial need is the establishment of a reasonable college budget. This budget must adequately reflect the charges that are made to a student by the institution as well as reasonable amounts he will be expected to pay for non-institutional expenses. The budget for a student in residence should include: tuition, fees, room and board, and a reasonable amount for such expenses as the replacement and maintenance of clothing, laundry, amusements, incidentals, books, and travel. Many institutions include $400 for personal expenses and $150 for books and supplies as reasonable estimates of the average expenditures of most students.

The budget for the commuting student should reflect the amount of tuition, fees, books, and personal expenses, as for the student in residence. In place of the room and board charged by the institution, an amount must be added to reflect the cost of room and board at home and meals eaten on campus. Many institutions include $500 as a reasonable estimate of the expenses that families of commuting students must pay to provide room and board at home plus meals on campus.

Travel expenses vary from student to student, but the college must include some amount in the budget in order to set proper awards. For the commuting student it is frequently possible to calculate the actual cost of public transportation. For a resident student, it is generally appropriate to include the cost of two round trips by rail or air-coach.

Extraordinary expenses for such items as additional clothing for students attending college in substantially different climates from that at home, extra courses taken for remedial purposes or to enrich a program, residence on campus during vacation periods, or unusual health and medical needs must be treated in each individual case as exceptions to the normal budget.

The following examples of typical budgets for institutions of different types may be of assistance in developing a reasonable budget.

A PRIVATE COLLEGE

	Resident student	Commuting student
Tuition and fees	$1,400	$1,400
Room and board on campus	850	
Maintenance at home		500
Books and supplies	150	150
Personal expenses	400	400
Transportation	200	150
Total	3,000	2,600

A STATE-SUPPORTED UNIVERSITY

	Resident student	Commuting student
Tuition and fees	$400	$400
Room and board on campus	850	
Maintenance at home		500
Books and supplies	150	150
Personal expenses	400	400
Transportation	200	150
Total	2,000	1,600

A TUITION-FREE COMMUNITY COLLEGE

	Resident student	Commuting student
Tuition and fees		
Room and board on campus		
Maintenance at home		$500
Books and supplies		150
Personal expenses		400
Transportation		100
Total		1,150

These represent the total expenses that must be met by families and students for the nine-month academic year at each type of institution. They include all the expenditures that the institutions have found, through study, are typical of the majority of their students, and the budgets are adequate for a student to maintain himself and study adequately without undue pressure from finances.

SPECIAL PROBLEMS IN NEED ANALYSIS

Institutions frequently encounter difficulties in their efforts to assess accurately and equitably the financial need of older, self-supporting, and married students. It can be argued that the parents of such students have no responsibility to provide support. It can also be argued that parents have a greater obligation to provide support for children, regardless of their age, than has a college, the society, or the government.

The various administrative manuals contain guidelines for institutions in dealing with these problem cases.

TABLE I.— TAX RATES OF THE INTERNAL REVENUE SERVICE BY LEVEL OF TAXABLE INCOME (FOR USE WITH FEDERAL INCOME TAX SYSTEM)

SCHEDULE FOR MARRIED TAXPAYERS FILING JOINT RETURNS

Taxable incomes	*Federal income tax*
Not over $1,000	14% of taxable income
$1,000 to $2,000	$140 plus 15% of excess over $1,000
$2,000 to $3,000	$290 plus 16% of excess over $2,000
$3,000 to $4,000	$450 plus 17% of excess over $3,000
$4,000 to $8,000	$620 plus 19% of excess over $4,000
$8,000 to $12,000	$1,380 plus 22% of excess over $8,000
$12,000 to $16,000	$2,260 plus 25% of excess over $12,000
$16,000 to $20,000	$3,260 plus 28% of excess over $16,000
$20,000 to $24,000	$4,380 plus 32% of excess over $20,000
$24,000 to $28,000	$5,660 plus 36% of excess over $24,000

SCHEDULE FOR HEADS OF HOUSEHOLDS

Taxable incomes	*Federal income tax*
Not over $1,000	14% of taxable income
$1,000 to $2,000	$140 plus 16% of excess over $1,000
$2,000 to $4,000	$300 plus 18% of excess over $2,000
$4,000 to $6,000	$660 plus 20% of excess over $4,000
$6,000 to $8,000	$1,060 plus 22% of excess over $6,000
$8,000 to $10,000	$1,500 plus 25% of excess over $8,000
$10,000 to $12,000	$2,000 plus 27% of excess over $10,000
$12,000 to $14,000	$2,540 plus 31% of excess over $12,000
$14,000 to $16,000	$3,160 plus 32% of excess over $14,000
$16,000 to $18,000	$3,800 plus 35% of excess over $16,000
$18,000 to $20,000	$4,500 plus 36% of excess over $18,000
$20,000 to $22,000	$5,220 plus 40% of excess over $20,000
$22,000 to $24,000	$6,020 plus 41% of excess over $22,000

TABLE II.—FEDERAL INCOME TAX PAYMENTS, BASED ON STANDARD DEDUCTIONS, BY LEVEL OF NET INCOME AND SIZE OF FAMILY (FOR USE WITH THE FEDERAL INCOME TAX SYSTEM)

Net income (before Federal tax)	1 child		2 children		3 children		4 children		5 children		6 children		7 children		8 children	
	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family	2-parent family	1-parent family
$1,000 to $1,249	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$1,250 to $1,499	0	$10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$1,500 to $1,749	0	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$1,750 to $1,999	0	70	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$2,000 to $2,249	$20	100	0	$20	0	0	0	0	0	0	0	0	0	0	0	0
$2,250 to $2,499	50	130	0	50	0	0	0	0	0	0	0	0	0	0	0	0
$2,500 to $2,749	80	170	0	80	0	0	0	0	0	0	0	0	0	0	0	0
$2,750 to $2,999	110	200	$30	110	0	$30	0	0	0	0	0	0	0	0	0	0
$3,000 to $3,249	140	240	60	140	0	60	0	0	0	0	0	0	0	0	0	0
$3,250 to $3,499	180	270	90	180	$10	90	0	$10	0	0	0	0	0	0	0	0
$3,500 to $3,749	210	310	120	210	40	120	0	40	0	0	0	0	0	0	0	0
$3,750 to $3,999	240	350	150	250	70	150	0	70	0	0	0	0	0	0	0	0
$4,000 to $4,249	280	390	190	290	100	190	$20	100	0	$20	0	0	0	0	0	0
$4,250 to $4,499	310	430	220	320	130	230	50	130	0	50	0	0	0	0	0	0
$4,500 to $4,749	350	470	250	370	160	260	80	170	$30	80	0	$30	0	0	0	0
$4,750 to $4,999	380	510	290	410	200	300	110	200	60	110	0	60	0	0	0	0
$5,000 to $5,249	420	550	320	450	230	340	140	240	90	140	0	90	0	0	0	0
$5,250 to $5,499	460	590	360	490	270	380	180	270	120	180	$10	120	0	$10	0	0
$5,500 to $5,749	490	640	400	530	300	420	210	310	150	210	40	150	0	40	0	0
$5,750 to $5,999	530	680	430	570	340	460	240	350	190	250	70	190	$20	70	0	$20
$6,000 to $6,249	570	720	470	610	370	500	280	390	220	290	100	230	50	100	0	50
$6,250 to $6,499	610	770	510	650	410	540	310	430	250	320	130	260	80	130	0	80
$6,500 to $6,749	650	810	550	690	440	580	350	470	290	370	160	300	110	170	$30	110
$6,750 to $6,999	690	860	580	740	480	620	380	510	320	410	200	340	140	200	60	140
$7,000 to $7,249	740	900	620	780	520	660	420	550	360	450	230	380	180	240	90	180
$7,250 to $7,499	780	950	670	830	560	710	460	590	400	490	270	420	210	270	120	210
$7,500 to $7,749	820	990	710	870	600	750	490	640	430	530	300	460	240	310	150	250
$7,750 to $7,799	860	1,040	750	920	640	800	530	680	470	570	340	500	280	350	190	290
$8,000 to $8,249	910	1,080	790	960	680	840	570	720	510	610	370	540	310	390	220	320
$8,250 to $8,499	950	1,130	840	1,010	720	890	610	770	550	650	410	580	350	430	250	370
$8,500 to $8,749	990	1,180	880	1,050	760	930	650	810	580	690	440	620	380	470	290	410
$8,750 to $8,999	1,040	1,230	920	1,100	810	980	690	860	580	740	480	620	380	510	290	410

$9,000 to $9,249	1,080	1,280	960	1,150	850	1,020	740	900	620	780	520	660	420	550	320	450
$9,250 to $9,499	1,120	1,330	1,010	1,200	890	1,070	780	950	670	830	560	710	460	590	360	490
$9,500 to $9,749	1,160	1,380	1,050	1,250	940	1,120	820	990	710	870	600	750	490	640	400	530
$9,750 to $9,999	1,210	1,430	1,090	1,300	980	1,170	860	1,040	750	920	640	800	530	680	430	570
$10,000 to $10,249	1,250	1,480	1,140	1,350	1,020	1,220	910	1,090	800	960	680	840	570	720	470	610
$10,250 to $10,499	1,300	1,540	1,190	1,410	1,070	1,270	960	1,140	840	1,020	730	900	620	780	510	660
$10,500 to $10,749	1,350	1,610	1,230	1,460	1,120	1,330	1,000	1,200	890	1,070	780	940	660	820	560	700
$10,750 to $10,999	1,400	1.670	1,280	1,520	1,170	1,380	1,050	1,250	940	1,120	820	1,000	710	880	600	760
$11, 000 to $11, 249	1,450	1,730	1,330	1,580	1,210	1,440	1,100	1,310	990	1,180	870	1,040	760	920	640	800
$11, 250 to $11, 499	1,510	1,790	1,380	1,640	1,260	1,490	1,150	1,360	1,030	1,230	920	1,100	810	980	690	860
$11, 500 to $11, 749	1,560	1,860	1,430	1,710	1,310	1,560	1,190	1,420	1,080	1,290	970	1,150	850	1,020	740	900
$11, 750 to $11, 999	1,620	1,920	1,480	1,770	1,360	1,620	1,240	1,470	1,130	1,340	1,010	1,210	900	1,080	790	960
$12, 000 to $12, 249	1,670	1,980	1,540	1,830	1,410	1,680	1,290	1,530	1,180	1,400	1,060	1,260	950	1,130	830	1,000
$12, 250 to $12, 499	1,730	2,050	1,590	1,890	1,460	1,740	1,340	1,590	1,220	1,450	1,110	1,320	1,000	1,190	880	1,060
$12, 500 to $12, 749	1,780	2,110	1,650	1,960	1,520	1,810	1,390	1,660	1,270	1,510	1,160	1,370	1,040	1,240	930	1,110
$12, 750 to $12, 999	1,840	2,180	1,700	2,020	1,570	1,870	1,440	1,720	1,320	1,570	1,200	1,430	1,090	1,300	980	1,160
$13, 000 to $13, 249	1,890	2,250	1,760	2,090	1,630	1,930	1,500	1,780	1,370	1,630	1,250	1,480	1,140	1,350	1,020	1,220
$13, 250 to $13, 499	1,950	2,320	1,810	2,160	1,680	1,990	1,550	1,840	1,420	1,690	1,300	1,540	1,190	1,410	1,070	1,270
$13, 500 to $13, 749	2,000	2,380	1,870	2,220	1,740	2,060	1,610	1,910	1,470	1,760	1,350	1,610	1,230	1,460	1,120	1,330
$13, 750 to $13, 999	2,060	2,450	1,920	2,290	1,790	2,130	1,660	1,970	1,530	1,820	1,400	1,670	1,280	1,520	1,170	1,380
$14,000 to $14,249	2,110	2,520	1,980	2,360	1,850	2,200	1,720	2,030	1,580	1,880	1,450	1,730	1,330	1,580	1,210	1,440
$14,250 to $14,499	2,170	2,590	2,030	2,430	1,900	2,260	1,770	2,100	1,640	1,940	1,510	1,790	1,380	1,640	1,260	1,490
$14,500 to $14,749	2,220	2,670	2,090	2,490	1,960	2,330	1,830	2,170	1,690	2,010	1,560	1,860	1,430	1,710	1,310	1,560
$14,750 to $14,999	2,280	2,750	2,140	2,560	2,010	2,400	1,880	2,240	1,750	2,070	1,620	1,920	1,480	1,770	1,360	1,620
$15,000 to $15,249	2,340	2,830	2,200	2,640	2,070	2,470	1,940	2,300	1,800	2,140	1,670	1,980	1,540	1,830	1,410	1,680
$15,250 to $15,499	2,400	2,900	2,250	2,720	2,120	2,530	1,990	2,370	1,860	2,210	1,730	2,050	1,590	1,890	1,460	1,740
$15,500 to $15,749	2,470	2,980	2,320	2,800	2,180	2,610	2,050	2,440	1,910	2,280	1,780	2,110	1,650	1,960	1,520	1,810
$15,750 to $15,999	2,530	3,060	2,380	2,870	2,230	2,690	2,100	2,510	1,970	2,340	1,840	2,180	1,700	2,020	1,570	1,870
$16,000 to $16,249	2,590	3,140	2,440	2,950	2,290	2,760	2,160	2,580	2,020	2,410	1,890	2,250	1,760	2,090	1,630	1,930
$16,250 to $16,499	2,650	3,220	2,500	3,030	2,350	2,840	2,210	2,660	2,080	2,480	1,950	2,320	1,810	2,160	1,680	1,990
$16,500 to $16,749	2,720	3,300	2,570	3,110	2,420	2,920	2,270	2,730	2,130	2,550	2,000	2,380	1,870	2,220	1,740	2,060
$16,750 to $16,999	2,780	3,380	2,630	3,180	2,480	3,000	2,330	2,810	2,190	2,630	2,060	2,450	1,920	2,290	1,790	2,130
$17,000 to $17,249	2,840	3,460	2,690	3,260	2,540	3,070	2,390	2,890	2,240	2,700	2,110	2,520	1,980	2,360	1,850	2,200
$17,250 to $17,499	2,900	3,540	2,750	3,340	2,600	3,150	2,450	2,970	2,300	2,780	2,170	2,590	2,030	2,430	1,900	2,260
$17,500 to $17,749	2,970	3,620	2,820	3,420	2,670	3,230	2,520	3,040	2,370	2,860	2,220	2,670	2,090	2,490	1,960	2,330
$17,750 to $17,999	3,030	3,700	2,880	3,500	2,730	3,310	2,580	3,120	2,430	2,940	2,280	2,750	2,140	2,560	2,010	2,400
$18,000 to $18,249	3,090	3,780	2,940	3,580	3,790	3,390	2,640	3,200	2,490	3,010	2,340	2,830	2,200	2,640	2,070	2,470
$18,250 to $18,499	3,150	3,860	3,000	3,660	2,850	3,470	2,700	3,280	2,550	3,090	2,400	2,900	2,250	2,720	2,120	2,530
$18,500 to $18,749	3,220	3,950	3,070	3,740	2,920	3,550	2,770	3,360	2,620	3,170	2,470	2,980	2,320	2,800	2,180	2,610
$18,750 to $18 999	3,280	4,040	3,130	3,820	2,980	3,630	2,830	3,440	2,680	3,250	2,530	3,060	2,380	2,870	2,230	2,690

TABLE III.—PARENTS' CONTRIBUTION FROM NET INCOME BY SIZE OF FAMILY (FOR USE WITH THE ALTERNATE APPROACH, THE INCOME SYSTEM)

Net income (before Federal tax)	Number of dependent children							
	1	2	3	4	5	6	7	8
$3,250 to $3,499	$130							
$3,500 to $3,749	200							
$3,750 to $3,999	260							
$4,000 to $4,249	320	$130						
$4,250 to $4,499	390	190						
$4,500 to $4,749	450	240						
$4,750 to $4,999	510	300	$130					
$5,000 to $5,249	580	350	180					
$5,250 to $5,499	640	410	230	$110				
$5,500 to $5,749	700	470	280	160				
$5,750 to $5,999	760	520	330	200	$110			
$6,000 to $6,249	820	580	380	240	150			
$6,250 to $6,499	880	640	430	290	190	$130		
$6,500 to $6,749	940	690	470	330	230	160	$100	
$6,750 to $6,999	1,000	750	520	380	270	200	140	
$7,000 to $7,249	1,060	810	570	420	310	240	170	$130
$7,250 to $7,499	1,120	840	620	460	350	270	210	160
$7,500 to $7,749	1,180	890	670	500	380	310	240	200
$7,750 to $7,999	1,240	940	720	550	420	340	280	230
$8,000 to $8,249	1,300	1,000	770	590	460	380	310	270
$8,250 to $8,499	1,360	1,060	810	640	500	420	350	300
$8,500 to $8,749	1,420	1,130	840	680	540	450	380	330
$8,750 to $8,999	1,480	1,190	890	730	580	490	420	370
$9,000 to $9,249	1,540	1,250	950	770	620	530	450	400
$9,250 to $9,499	1,600	1,310	1,000	810	660	560	490	430
$9,500 to $9,749	1,670	1,380	1,060	850	690	[illegible]	520	470
$9,750 to $9,999	1,740	1,450	1,120	900	730	640	560	500
$10,000 to $10,249	1,810	1,520	1,180	950	770	670	590	530
$10,250 to $10,499	1,870	1,590	1,240	1,000	810	710	630	570
$10,500 to $10,749	1,950	1,660	1,300	1,050	860	740	660	600
$10,750 to $10,999	2,030	1,730	1,360	1,110	900	780	690	640
$11,000 to $11,249	2,110	1,800	1,430	1,170	950	820	730	670
$11,250 to $11,499	2,190	1,870	1,490	1,220	1,000	850	770	700
$11,500 to $11,749	2,270	1,940	1,550	1,280	1,050	880	800	740
$11,750 to $11,999	2,350	2,020	1,620	1,340	1,100	920	840	770
$12,000 to $12,249	2,430	2,080	1,690	1,400	1,150	980	880	800
$12,250 to $12,499	2,510	2,160	1,750	1,460	1,210	1,030	930	830
$12,500 to $12,749	2,600	2,240	1,820	1,520	1,260	1,080	980	860
$12,750 to $12,999	2,690	2,320	1,890	1,590	1,320	1,130	1,030	890
$13,000 to $13,249	2,780	2,400	1,960	1,660	1,380	1,180	1,070	930
$13,250 to $13,499	2,870	2,470	2,030	1,720	1,404	1,240	1,110	970
$13,500 to $13,749	2,960	2,550	2,100	1,790	1,500	1,300	1,140	1,020
$13,750 to $13,999	3,050	2,630	2,170	1,860	1,560	1,350	1,190	1,070
$14,000 to $14,249	3,140	2,720	2,240	1,930	1,630	1,410	1,240	1,120
$14,250 to $14,499	3,230	2,800	2,320	1,990	1,690	1,470	1,300	1,170
$14,500 to $14,749	3,330	2,880	2,400	2,060	1,750	1,530	1,350	1,220
$14,750 to $14,999	3,430	2,970	2,480	2,140	1,820	1,590	1,400	1,270
$15,000 to $15,249	3,530	3,040	2,560	2,210	1,890	1,660	1,460	1,330
$15,250 to $15,499	3,630	3,140	2,640	2,280	1,960	1,720	1,520	1,390
$15,500 to $15,749	3,730	3,220	2,720	2,360	2,020	2,770	1,590	1,440
$15,750 to $15,999	3,830	3,300	2,800	2,440	2,090	2,840	1,660	1,500
$16,000 to $16,249	3,940	3,390	2,890	2,510	2,160	1,920	1,720	1,570
$16,250 to $16,499	4,050	3,480	2,970	2,590	2,230	1,990	1,790	1,640
$16,500 to $16,749	4,200	3,580	3,060	2,670	2,310	2,060	1,860	1,700
$16,750 to $16,999	4,350	3,670	3,140	2,750	2,390	2,130	1,930	1,770
$17,000 to $17,249	4,450	3,760	3,230	2,830	2,460	2,210	2,000	1,830
$17,250 to $17,499		3,850	3,320	2,910	2,540	2,280	2,070	1,890
$17,500 to $17,749		3,940	3,400	2,990	2,620	2,360	2,140	1,960
$17,750 to $17,999		4,040	3,490	3,080	2,700	2,430	2,210	2,030
$18,000 to $18,249		4,150	3,580	3,170	2,780	2,510	2,290	2,100
$18,250 to $18,499		4,230	3,680	3,250	2,860	2,590	2,360	2,170
$18,500 to $18,749		4,340	3,770	3,340	2,940	2,670	2,440	2,250
$18,750 to $18,999		4,450	3,870	3,430	3,030	2,750	2,520	2,320
$19,000 to $19,249			3,960	3,520	3,110	2,830	2,600	2,400
$19,250 to $19,499			4,050	3,610	3,200	2,920	2,680	2,470
$19,500 to $19,749			4,150	3,700	3,280	3,000	2,760	2,550
$19,750 to $19,999			4,250	3,790	3,370	3,090	2,850	2,630
$20,000 to $20,249			4,350	3,880	3,460	3,170	2,930	2,710
$20,250 to $20,499			4,450	3,980	3,550	3,260	3,020	2,790
$20,500 to $20,749				4,090	3,640	3,350	3,100	2,870
$20,750 to $20,999				4,190	3,730	3,440	3,190	2,960
$21,000 to $21,249				4,270	3,820	3,540	3,280	3,050
$21,250 to $21,499				4,360	3,920	3,630	3,370	3,140
$21,500 to $21,749				4,450	4,020	3,720	3,460	3,230
$21,750 to $21,999					4,120	3,820	3,560	3,310
$22,000 to $22,249					4,230	3,920	3,650	3,400
$22,250 to $22,499					4,340	4,010	3,750	3,490
$22,500 to $22,749					4,450	4,120	3,850	3,580
$22,750 to $22,999						4,230	3,950	3,670
$23,000 to $23,249						4,340	4,050	3,750
$23,250 to $23,499						4,450	4,150	3,840
$23,500 to $23,749							4,250	3,940
$23,750 to $23,999							4,350	4,050
$24,000 to $24,249							4,450	4,150
$24,250 to $24,499								4,250
$24,500 to $24,749								4,350
$24,750 to $24,999								4,450

PARENTS' CONFIDENTIAL FINANCIAL REPORT AND CERTIFICATION

for use with Federal Income Tax System

Name and home address of the student applicant	Adams, Thomas S. 1234 Superior Avenue Lake Center, Michigan

Name and home address of the parent or guardian	Adams, Milton M. 1234 Superior Avenue Lake Center, Michigan

Income report on Federal Income Tax Returns, Form 1040 or 1040-A		For the year ending December 31	1964	1965
	1.	Salaries and wages	$ 5000	$ 5200
	2.	Interest and dividends	-	-
	3.	Other income	-	-
	4.	Total	$ 5000	$ 5200
	5.	Adjustments	-	-
	6.	Total income on which tax was based	$ 5000	$ 5200

Exemptions and deductions claimed on Federal Income Tax Returns, Form 1040 or 1040-A		For the year ending December 31	1964	1965
	7.	Number of exemptions claimed (explain if this includes others than yourself and your children. Use the back of this statement for your explanation)	4	4
	8.	Number of exemptions times $600	$ 2400	$ 2400
Complete *either* item 9 or item 10	9.	Standard deduction, 10% of line 6 up to $1,000 O R	500	-
	10.	Itemized deductions		
		Contributions	$	$ 200
		Medical and dental		300
		Taxes		250
		Interest expense		50
		Other itemized deductions		
		Total itemized deductions	$	$ 800
	11.	Total exemptions and deductions (line 8 plus either line 9 or total itemized deductions on line 10)	$ 2900	$ 3200
	12.	Income on which tax was paid (line 6 less line 11)	$ 2100	$ 2000
	13.	Amount of tax paid	306	290

Parents' assets	14.	Home equity	$ 7000
	15.	Other real estate equity	-
	16.	Total value of business or farm	500
	18.	Other investments	-
	19.	Total assets (line 14 through line 18)	$ 7500
Parents' liabilities	20.	Total personal debts still unpaid (explain and itemize on the back of this statement)	$ -

Explanations. Answer those which apply to you.

1. Explain the sources of other income listed on line 3

2. Explain the adjustments listed on line 5

3. Explain the number of exemptions claimed on line 7 if they include other than yourself, your wife, and your children

4. Explain the other real estate equity listed on line 15

5. Explain the other investments listed on line 18

6. Explain the total personal debt listed on line 20. Include the purpose of the debt and the amount you still owe.

7. Explain any other matters which you believe should be considered in evaluating your financial situation.

Parents' certification

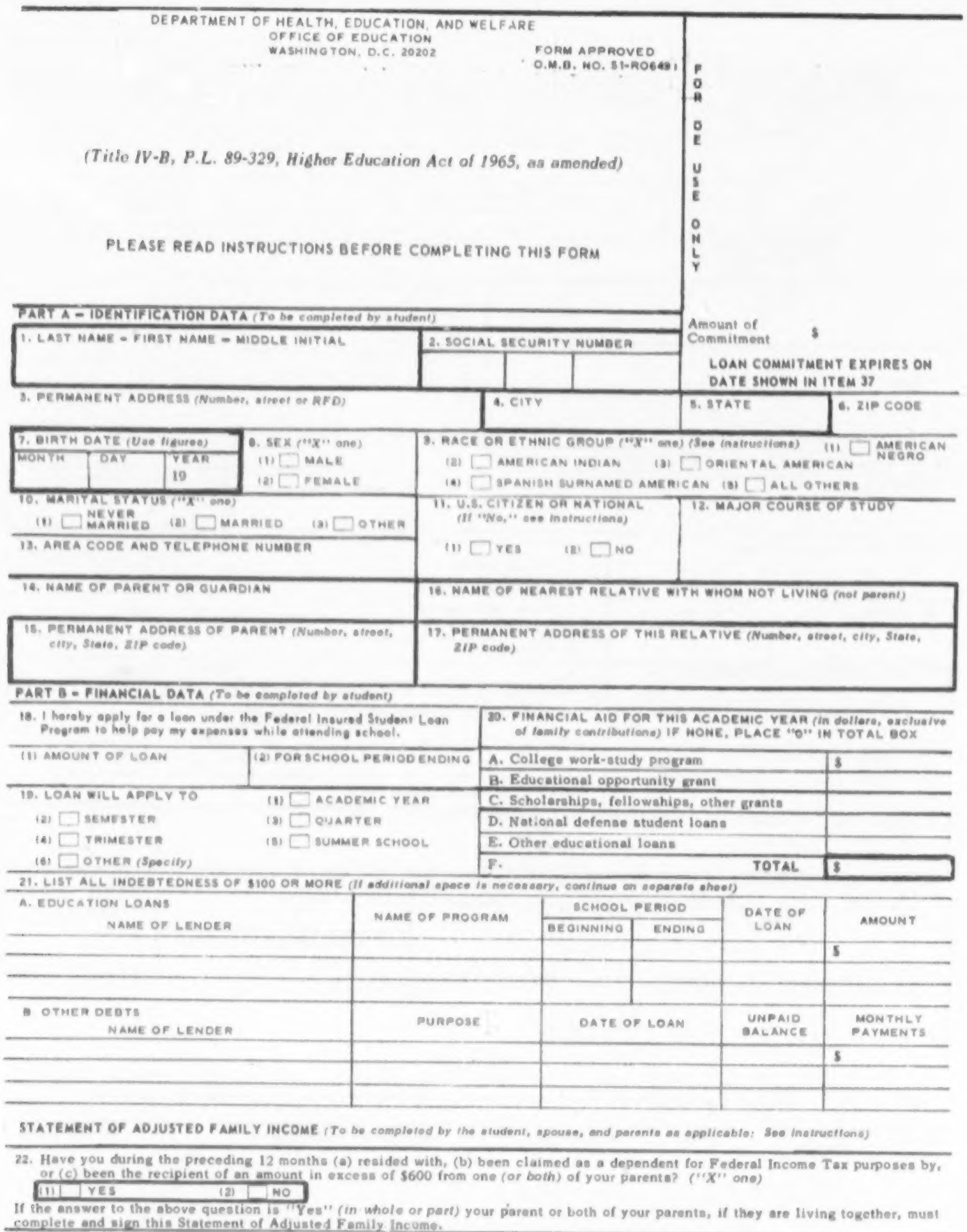
We have checked this form for omissions and errors. To the best of our knowledge the information reported is complete and correct. We agree to inform the college financial aid officer of any major changes in our financial status if the student applicant is awarded assistance. Further, we agree, if requested, to send to the college an official photostatic copy of our latest federal income tax return obtained from the appropriate district office of the United States Internal Revenue Service.

Signatures of both parents or guardians ____________________

____

Date ____________________

ATTACHMENT III.—STUDENT APPLICATION FOR FEDERALLY INSURED LOAN



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FORM APPROVED
O.M.B. NO. 51-R0649

FOR OE USE ONLY

(Title IV-B, P.L. 89-329, Higher Education Act of 1965, as amended)

PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM

Amount of Commitment $

LOAN COMMITMENT EXPIRES ON DATE SHOWN IN ITEM 37

PART A – IDENTIFICATION DATA *(To be completed by student)*

1. LAST NAME – FIRST NAME – MIDDLE INITIAL
2. SOCIAL SECURITY NUMBER
3. PERMANENT ADDRESS *(Number, street or RFD)*
4. CITY
5. STATE
6. ZIP CODE
7. BIRTH DATE *(Use figures)* MONTH DAY YEAR 19
8. SEX *("X" one)* (1) ☐ MALE (2) ☐ FEMALE
9. RACE OR ETHNIC GROUP *("X" one) (See instructions)* (1) ☐ AMERICAN NEGRO (2) ☐ AMERICAN INDIAN (3) ☐ ORIENTAL AMERICAN (4) ☐ SPANISH SURNAMED AMERICAN (5) ☐ ALL OTHERS
10. MARITAL STATUS *("X" one)* (1) ☐ NEVER MARRIED (2) ☐ MARRIED (3) ☐ OTHER
11. U.S. CITIZEN OR NATIONAL *(If "No," see instructions)* (1) ☐ YES (2) ☐ NO
12. MAJOR COURSE OF STUDY
13. AREA CODE AND TELEPHONE NUMBER
14. NAME OF PARENT OR GUARDIAN
15. PERMANENT ADDRESS OF PARENT *(Number, street, city, State, ZIP code)*
16. NAME OF NEAREST RELATIVE WITH WHOM NOT LIVING *(not parent)*
17. PERMANENT ADDRESS OF THIS RELATIVE *(Number, street, city, State, ZIP code)*

PART B – FINANCIAL DATA *(To be completed by student)*

18. I hereby apply for a loan under the Federal Insured Student Loan Program to help pay my expenses while attending school.
(1) AMOUNT OF LOAN
(2) FOR SCHOOL PERIOD ENDING

19. LOAN WILL APPLY TO
(1) ☐ ACADEMIC YEAR
(2) ☐ SEMESTER
(3) ☐ QUARTER
(4) ☐ TRIMESTER
(5) ☐ SUMMER SCHOOL
(6) ☐ OTHER *(Specify)*

20. FINANCIAL AID FOR THIS ACADEMIC YEAR *(in dollars, exclusive of family contributions)* IF NONE, PLACE "0" IN TOTAL BOX

A. College work-study program	$
B. Educational opportunity grant	
C. Scholarships, fellowships, other grants	
D. National defense student loans	
E. Other educational loans	
F. TOTAL	$

21. LIST ALL INDEBTEDNESS OF $100 OR MORE *(If additional space is necessary, continue on separate sheet)*

A. EDUCATION LOANS NAME OF LENDER	NAME OF PROGRAM	SCHOOL PERIOD		DATE OF LOAN	AMOUNT
		BEGINNING	ENDING		
					$

B OTHER DEBTS NAME OF LENDER	PURPOSE	DATE OF LOAN	UNPAID BALANCE	MONTHLY PAYMENTS
				$

STATEMENT OF ADJUSTED FAMILY INCOME *(To be completed by the student, spouse, and parents as applicable: See instructions)*

22. Have you during the preceding 12 months (a) resided with, (b) been claimed as a dependent for Federal Income Tax purposes by, or (c) been the recipient of an amount in excess of $600 from one *(or both)* of your parents? *("X" one)*
(1) ☐ YES (2) ☐ NO
If the answer to the above question is "Yes" *(in whole or part)* your parent or both of your parents, if they are living together, must complete and sign this Statement of Adjusted Family Income.

23. If married, are you legally separated, or have you for the preceding 12 months been living apart from your spouse?
(1) ☐ YES (2) ☐ NO
If the answer is "No," your spouse must complete and sign the Statement of Adjusted Family Income.

24. ADJUSTED GROSS INCOME *(From Federal tax returns) (When there is no income to report, insert "none" in the appropriate block.)*

A. Father $ Mother $ Joint $	$	
B. Student $ Spouse $ Joint $	$	
C. Total adjusted gross income *(Add lines 24A and 24B)*		$
D. Enter 10 percent of line 24C	$	
E. Multiply the number of exemptions claimed on tax returns by $600	$	
F. Enter total of lines 24D and 24E		$
G. Adjusted family income *(Subtract line 24F from line 24C)*		$

IF THE AMOUNT SHOWN ON LINE 24G ABOVE IS LESS THAN $15,000, THE STUDENT IS ELIGIBLE FOR FEDERAL INTEREST BENEFITS

I, each of us, certify that the information contained in this application is true, complete, and correct to the best of my knowledge and belief, and is made in good faith; and I, each of us, authorize the U.S. Commissioner of Education to obtain from the District Director of Internal Revenue with whom it was filed, a copy of my Federal Income Tax Return or estimate for the tax year upon which this computation of adjusted family income is based, in order to verify the foregoing statement. I, the applicant, certify that the total amount of loans received under the Guaranteed Loan Programs, Title IV, Part B *(P.L. 89-329)* as amended, will not exceed $1,500 per academic year nor will the total outstanding loans for all academic years exceed $7,500. I further certify that this loan will be used only for educational purposes for the academic year *(or portion thereof)* covered by the application. SIGNATURES ARE REQUIRED FOR ALL PERSONS WHOSE INCOME IS REPORTED ON THE FORM. THE STUDENT MUST SIGN EVEN THOUGH HE HAS NO INCOME.

25. SIGNATURE OF APPLICANT	27. SIGNATURE OF SPOUSE
	28. SPOUSE'S SOCIAL SECURITY NO. / /
26. DATE	
29. SIGNATURE OF FATHER	31. SIGNATURE OF MOTHER
30. FATHER'S SOCIAL SECURITY NO. / /	32. MOTHER'S SOCIAL SECURITY NO. / /

PART C – EDUCATIONAL DATA *(To be completed by school)*

33. NAME AND ADDRESS OF EDUCATIONAL INSTITUTION	34. SCHOOL CODE NO.

35. ACADEMIC YEAR *("X" one)*
(1) ☐ 1ST (2) ☐ 2D (3) ☐ 3D
(4) ☐ 4TH OR 5TH (5) ☐ GRADUATE

36. ITEM 35 BEGINS MONTH, DAY, YEAR 19	37. ITEM 35 ENDS MONTH, DAY, YEAR 19
38. ANTICIPATED GRADUATION DATE *(Use figures – month and year)* 19	

39. EDUCATIONAL COSTS FOR THIS ACADEMIC YEAR *(Estimate where necessary)*

A. Tuition and fees	$
B. Room and board	
C. Books and supplies	
D. Personal expenses	
E. Transportation	
F. TOTAL	$
40. EDUCATIONAL COSTS LESS FINANCIAL AID *(39F minus 20F)*	$

41. OF THE TOTAL AMOUNT REQUESTED IN ITEM 18(1), WHAT AMOUNT IS REQUIRED FOR THE STUDENT TO MEET HIS IMMEDIATE EDUCATION EXPENSE? ENTER AMOUNT HERE ⟶ $

42. STUDENT STATUS *("X" one)*
(1) ☐ HALF TIME (2) ☐ FULL TIME

I CERTIFY that the above-named student is enrolled and in good standing or has been accepted for enrollment. The student's statement of financial aid for this year is correct to the best of my knowledge.

43. SIGNATURE OF FINANCIAL AID OFFICER OR AUTHORIZED OFFICIAL	TYPE OR PRINT NAME AND TITLE	44. DATE

PART D – *(To be completed and signed only after application is approved by lender)*

45. NAME AND MAILING ADDRESS OF LENDING INSTITUTION *(Include ZIP code)*	46. LENDER ID NO. 47. TELEPHONE NUMBER *(Include area code)*	48. LOAN AMOUNT *(Omit cents)* $
49. SIGNATURE OF AUTHORIZED OFFICIAL	TYPE OR PRINT NAME AND TITLE	50. DATE

WARNING

Any person who knowingly makes a false statement or a misrepresentation on this form shall be subject to a fine of not more than $10,000 or to imprisonment for not more than 5 years, or both, under provision of the United States Criminal Code.

OE FORM 1154, 9/70 PREVIOUS EDITIONS OF THIS FORM ARE OBSOLETE **LENDER'S COPY**

INSTRUCTIONS FOR COMPLETING STUDENT APPLICATION FOR FEDERALLY INSURED LOAN

(OE Form 1154)

NOTE: The application should be completed in triplicate. Please do not separate the Promissory Notes or any other parts of this form until loan is approved by lender

The student completes Parts A and B and submits the entire form to the educational institution. The institution completes Part C and returns the form to the student who submits it to the lending institution. The lending institution completes Part D and forwards the Lender's copy and the OE Copy to the Office of Education Regional Office for commitment. The Lender's File Copy and the two Promissory Notes (OE-1164) are retained by the lending institution.

STUDENT

Student completes Parts A and B and submits this form to the educational institution. STUDENT MUST SIGN ITEM 25.

ITEM 9. - The information on the student's race or ethnic group is requested in order to determine if minority groups are receiving the benefits of the Act. No loan will be denied because this item is not completed.

ITEM 11. - A foreign national who is in the United States for other than a temporary purpose and intends to become a permanent resident thereof, may be eligible for a loan. Therefore, due to their inherently temporary nature, persons who are in this country on student or visitor visas are not eligible for a loan. If student checks "NO" he must insert visa number and classification in block 11.

ITEM 14. - If parents (or guardians) are deceased, student should indicate "deceased" in this block.

ITEM 24. - The Statement of Adjusted Family Income must be completed to establish the student borrower's eligibility for Federal interest benefits on a loan made under the provisions of the Higher Education Act of 1965 A student is entitled to interest benefits only when the adjusted family income is less than $15,000 per year. However, all student borrowers, regardless of family income, are eligible to apply for loan insurance coverage under the Act.

If the Federal Income Tax Return for the immediately preceding tax year has not yet been filed for any income reported on this statement, the computation on this statement and any Federal interest benefits received are subject to adjustment on the basis of the income figures that are actually reported. The student borrower must immediately report to the lender any differences in such later reported figures which produce amounts in excess of those reported on this form.

The adjusted gross income is the amount referred to as "Adjusted Gross Income" on line 15C of Form 1040 (U.S. Individual Income Tax Return). The amount to be shown in item 24, lines A, B, and C shall be based on the amount reported or to be reported for the immediately preceding tax year for each family member whose income is required to be included in the determination of the adjusted family income. If a joint income tax return is filed, only one parent need sign the application.

Income earned abroad by any individual whose income is NOT subject to taxation under the Internal Revenue Code due to the fact that such individuals are U.S. citizens living abroad, shall be computed in the same manner as though it were taxable. Income of nonresident aliens or income of residents of Puerto Rico shall be treated as provided for in instructions made available through the lender.

STUDENT'S RESPONSIBILITY

This loan may be used ONLY for educational purposes. The student is obliged to keep his lender informed if he changes his address, his school, or ceases to be at least a half-time student. After graduation or withdrawal from school, he must contact the lender and arrange for repayment. It is to the student's advantage to pay this loan off as soon as possible. Interest costs are sharply reduced if the loan is partially or fully prepaid, and it is out of the way before additional debts are incurred after graduation.

The student is under full obligation to repay the loan. Since this will probably be his first experience with installment credit, the importance of the manner in which he handles this obligation cannot be overemphasized. The student now has the opportunity to establish good credit and to build a sound financial reputation.

EDUCATIONAL INSTITUTION

The Financial Aid Officer or authorized official completes and signs Part C and returns the entire form to the student. The lending institution is encouraged to forward to the school official the Lender's File Copy along with the disbursement check.

The function of the educational institution in connection with a student's application for a loan under the program is to determine: (a) that the student applicant is enrolled or accepted for enrollment in the institution; (b) that he is in good standing; (c) the estimated cost for educational expenses; and (d) of the total loan amount requested, what amount is required for the student to meet his immediate educational expenses.

Consideration should be given to marital status in determining a student's total educational costs.

The financial need of the student is not a relevant factor in making the foregoing statement, and no assessment of the ability of the student or his parents to meet the costs of education is to be made. The school's average cost for all students may be used in lieu of individual estimates. The educational institution is requested to indicate the beginning and ending of the student's academic year for this loan even though the loan may be used for only a portion of the academic year.

The anticipated graduation date at your institution (item 38) is necessary in calculating the insurance premium. This date should be determined without regard to future attendance at other institutions.

LENDER

The lender reviews Parts A, B, and C for completeness. If the lender approves the application, he completes and signs Part D. The original lender's copy and the OE copy should be sent with the carbon intact to the Office of Education Regional Office for the insurance commitment. The lending institution retains the Lender's File Copy as a reference and the Promissory Notes while the application is en route for commitment.

It is anticipated that the lender will consider the information found in item 41 in determining the amount to be disbursed to the student for that portion of the academic year. The lender may not make disbursement of any of the proceeds of the loan to a student borrower earlier than is reasonably necessary to meet the purposes for which the loan was made.

The disbursement of funds must not be made until the original copy of the application is returned with the insurance commitment indicated in the upper right hand corner. Disbursements will be reported to the U.S. Office of Education on the Lender's Manifest (OE Form 1151). The lending institution is encouraged to forward the disbursement check along with the Lender's file copy of the application to the school official indicated in item 43 at the address of the educational institution listed in item 33. Unless authorized in writing by the borrower, the check must be made payable only to the student.

PROMISSORY NOTE

Two copies of the Promissory Note (OE Form 1164) are attached so that the form can be executed in duplicate. The lender keeps one copy on file, the student borrower keeps the other copy. DO NOT SUBMIT copies of the Promissory Notes to the Office of Education.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

PROMISSORY NOTE

FEDERAL INSURED STUDENT LOAN PROGRAM (Public Law 89-329, IV-B)

CITY

STATE

I, ______________________________, hereinafter called the "maker," promise to pay to

______________________________, hereinafter called the "lender," located at

______________________________, the sum of $ ____________ which has been

advanced to me, together with simple interest at the rate of ____________ percent per annum on the outstanding balance of such sum and authorized late charges, all reasonable attorney's fees, and other costs and charges necessary for the collection of any amount not paid when due. The lender will not collect or attempt to collect from the borrower any portion of the interest which is payable by the U.S. Government.

The maker further understands and agrees, and it is understood between the parties that:

I. Pursuant to an agreement with the U.S. Commissioner of Education, hereinafter called the "Commissioner," the lender has applied for Federal Loan Insurance under Title IV, Part B of the Higher Education Act of 1965, as amended, hereinafter called the "Act," on all sums advanced pursuant to this note. Such terms of this note as are subject to interpretation shall be construed in the light of Federal Regulations pertaining to such Act, a copy of which is on file with the lender.

II. Repayment of Principal, together with interest thereon, shall be made over a period commencing ____________ months after the date on which the maker ceases to carry, at an institution determined to be eligible for that purpose under the Act and Regulations pertaining thereto, hereinafter called an "eligible institution," at least one-half the normal full-time academic work load, as determined by such institution, and (except when paragraph IV(2) applies) ending not less than five nor more than ten years after such date but in no event over a period in excess of 15 years from the date of execution of this note. Interest shall accrue during the period prior to the commencement of repayment period but at the option of the lender need not be paid during that period. Such accrued interest shall, at the commencement of the repayment period, be added to and become a part of the principal amount of the loan. Repayment of principal, together with interest thereon, shall be made in periodic installments in accordance with: Either (1) a repayment schedule to be provided by the lender prior to the commencement of the repayment period which will be made a part of this note: or (2) the terms of a separate instrument which shall be subject to the terms of this note and which the borrower agrees to execute prior to commencement of the repayment period.

III. The maker agrees to pay the lender in addition to interest and principal due an amount equal to the premiums that the lender is required to pay to the Commissioner in order to provide insurance coverage for the principal amount of this note. Payments covering the period of time extending from the date of execution of this note to the commencement of the repayment period (estimated in accordance with instructions issued by the Commissioner) shall be due and payable immediately.

IV. This note is subject also to the following conditions:

(1) The maker may at his option and without penalty prepay all or any part of the principal plus the accrued interest at any time.

(2) Installments of principal need not be paid during any period (A) during which the maker is carrying, at an eligible institution, a full-time academic work load, (B) not in excess of three years during which the maker is a member of the Armed Forces of the United States, (C) not in excess of three years during which the maker serves as a volunteer under the Peace Corps Act or (D) not in excess of three years during which the maker serves as a volunteer under Title VIII of the Economic Opportunity Act of 1964; and such period in (A), (B), (C), or (D) shall not be included in determining the period during which repayment must be completed.

(3) Notwithstanding the minimum repayment period set forth in paragraph II, installment payments shall be made at an annual rate of not less than the difference between the combined annual rate of repayment on all other notes of the maker which are insured under the Act and $360.

(4) In the event of a failure to make any payment when due hereunder, the entire unpaid indebtedness including interest due and accrued thereon shall at the option of the lender or any other holder of this note become immediately due and payable.

(5) In the event of the maker's death or total and permanent disability the unpaid indebtedness hereunder shall be canceled.

(6) The maker shall inform the lender or any other holder of this note of any change or changes in his address or his status as at least a half-time student.

SIGNATURE	ADDRESS	DATE
SIGNATURE	ADDRESS	DATE

CAVEAT *This note shall be executed without security and without endorsement, except that, if the maker is a minor and this note would not, under State Law, create a binding obligation, endorsement may be required. The lender shall supply a copy of this note to the maker.*

OE FORM 1164, 3/69

☆ U. S. GOVERNMENT PRINTING OFFICE: 1971—410-149

Mrs. **Green**. We are delighted to have with us the gentlelady from New York, Shirley Chisholm. Congresswoman Chisholm, do you have any questions?

Mrs. **Chisholm**. Yes; I do.

There are two questions I would like to raise here. First of all, we are attempting to do something about the financial inability of students not being possibly able to continue or to go into higher education. We want to erase this obstacle. It seems to me however a human factor has to be looked at very carefully, precisely in the kind of application forms that Mr. Pucinski was talking about. In many instances, students who might want to take advantage of this program will not be able to take advantage of the program because of the failure or the refusal of the parents to expose their financial status in depth. This is a very private kind of thing. The student might be in a sense prohibited; because parents' attitudes toward financial information might be the reason for students not participating in this kind of program.

Second, we have indicated a drop of over 50 percent in many institutions, once again because of finances. But in addition to finances we have to be very sure that we also take a very good look at many of the programs in the institutions and the reasons for students dropping out of colleges—other than financial reasons. We have to deal with the publish or perish syndrome in many of our universities; we have to deal with the lack of relationships between administrators and students in many universities.

These are two observations I wanted to raise. But the one that perturbs me most is the question of going into depth into a person's very private life.

Secretary **Richardson**. I think these are significant observations. With respect to the concern about the individual's private life, what is involved here eventually, as I said, is the kind of information that institutions have traditionally sought in the administration of their student assistance programs.

When I referred a while ago to my own role in the drafting of the National Defense Education Act loan title, I think, probably, the most important innovation which my office and I contributed to this was the proposal that the funds to be loaned would be made available to the institution and added to its own loan funds and administered as part of the school's own loan funds.

The very reason we proposed that is in order that the Federal Government would not find itself in the business of determining individual needs.

In the case of this proposed legislation, there are no guidelines of course yet established. The legislation is quite general in terms and simply says in effect that the criteria and guidelines should be applied in determining the needs and will be those adopted following recommendation by the proposed advisory committee. I am sure this committee would want to take into account the type of concerns you have expressed.

Mrs. **Green**. Congressman Esch?

Mr. **Esch**. Thank you very much, Madam Chairman.

And, Mr. Secretary, we are very pleased to have you and your colleagues here today to begin this dialog on the needs in higher education. I want to add my commendation to you and the administration for having the foresight to move to the student assistance directly.

I would like to get into the specific question of the private or independent college. As we know, many of those colleges have financial crisis facing them. Would it be the intent of your Department to look long-range at what kind of financial assistance might be forthcoming to aid those independent colleges and universities?

We have a system here that aids the individuals. But what would you have in mind in terms of long-range to aid the independent colleges?

Secretary RICHARDSON. We have no current proposals along these lines, Mr. Esch, beyond such additional support for particular kinds of innovative programs would be made available through the foundation. The reason, basically, is that we feel that a lot of thought needs to be given to the question of institutional aid and the relationship of the Federal Government to higher education generally. We think that we need to try to bring into clearer focus the relationships among programs funded through the Offices of Education with those financed through the National Institutes of Health, the National Sciences Foundation, the Department of Defense.

We think also that there are undoubtedly more economical forms of providing higher education than the traditional forms. This would be one of the objectives of the foundation. So we hesitate in effect, at this stage, to propose forms of institutional aid that would simply tend to underwrite or perpetuate the status quo.

Mr. ESCH. Do you believe in terms of giving individual students support the student should have a freedom of choice of whether he goes to a State institution or a much more expensive private institution? Would you support a student assistance program which would allow a student to make a choice between a private institution and a State institution without consideration of costs?

Secretary RICHARDSON. We think that this is essentially what we are proposing, Mr. Esch, through proposing the availability of such loans up to $1,500 to the student to cover the cost of education over and above the cost of his own living, and so on, and the availability of the additional $1,500 would depend upon the cost of attending a particular institution.

Mr. ESCH. So philosophically at least, you have given an indication that you recognize the role of the independent colleges within the system of higher education?

Secretary RICHARDSON. Yes.

Mr. ESCH. That is all the specific questions I have now. Madam Chairman.

I assure you that as we get into further testimony we will continue our discussion. Thank you very much.

Mrs. GREEN. We are also delighted to have joining us this morning on the subcommittee the gentlelady from Massachusetts, Louise Day Hicks.

Mrs. Hicks, do you have questions?

Mrs. HICKS. Thank you very much, Madam Chairman.

Of course, in my district we have the low-middle income people and I am very concerned about their welfare under your program.

Many times they have been unable to get loans of any type. They just don't seem to qualify, and if they get a loan for 1 year, then it is very difficult for them to have the loan for the years to come. And each year they are seeking a loan so they can continue the education of a particular child.

How can we really be sure that private money is going to be made available for the middle-income families under the NDEA?

Secretary **Richardson**. The proposals that we are making could be of very substantial help to families in your district through the provision of both cost of education loans, subsidized loans, in cases where the family size or demands upon family income for the higher education of children created eligibility for these.

Beyond that, our proposals, we think, will assure the availability of guaranteed loans to all students in institutions of higher education. We believe that the proposals we make for a secondary market and for the initial funding to make sure the secondary market works will mean that no student is unable to borrow funds needed to finance his education.

Mrs. **Hicks**. Also I am disturbed when you speak about the family income or the family contribution. What will happen to a student whose family will not give the information relative to the information that you seek for these loans, whose family actually doesn't want the youngster to go to college but he is very determined to go to college? Would he then be considered the neediest child? Would that be the formula used?

Secretary **Richardson**. I can't give you a general answer to that because I think the answer would have to depend on how the institution classified him, since the basic determination would be made by the college or university itself.

Mrs. **Hicks**. Thank you. I yield.

Mr. **Brademas**. I have a followup question; namely, the question of assuring the availability of private moneys.

Mr. Secretary, you said earlier in response to my own first criticism that four times the amount of money presently available under the national defense loans would be made available under your proposal on NDEA terms. Of course that requires a little elaboration.

I realize the terms of the loan may be the same, but I am sure you did not wish to suggest to the committee that public moneys would be available in those amounts, but rather you were suggesting or you were expressing the hope that moneys would be made available for the private money market. Is this correct?

I believe that—I know I share Mrs. Hicks' concern, and I take it to be the concern of Mrs. Green, that we can't be sure that money will, in point of fact, be generated. Whereas presently, with appropriated moneys—which I recognize makes the Office of Management Budget nervous because it shows up on the red ink side—we can now be sure that money will be available. Are you not offering us hope rather than a sure answer in this troubled world of ours?

Secretary **Richardson**. I think it should be pointed out, first of all, when I said funds would be available on NDEA terms, I was emphasizing the fact that from the point of view of the student it really makes no difference whether the funds are appropriated or whether their source is a private lender subject to subsidy and guarantee.

In other words, we will not have abrupt translation from appropriated funds and the utilization of private funds. We took into account the concerns of the committee as expressed last year in terms of higher education institutions in providing, for example, that the Office of Education would be able to buy up to $400 million of this paper while the secondary market is being organized.

Mrs. GREEN. Mr. Secretary, there are many questions I would like to turn to. The astronauts will be arriving for an appearance on the House floor at 12:15, so we are going to have to recess in a couple of minutes. Other questions occur to me with respect to the student aid provisions, but let me turn first to institutional support which I indicated earlier is one of the defects, as I see it, in the administration bill. I do support and approve the request you have made for an increase in funds for developing institutions and the emphasis which you, Mr. Secretary, and the Commissioner, have placed on the black institutions.

But I am very disturbed over what seems to me to be an absence of any concern on the part of the Office of Education and HEW over the plight of our private colleges and other institutions that are experiencing such great financial difficulty. Some of them are being forced to close their doors. Others are staying in operation only through deficit financing or by dipping into endowment funds.

Outside of the help for developing institutions, I see no concern by the Office of Education or HEW about the institutions that are going bankrupt.

As I understand it, the administration has decided that it is in the national interest to save Penn Central. Penn Central is requesting $350 to $500 million, and the administration, through its spokesman on the floor of the House, has indicated that it would be disastrous if Penn Central went under. Lockheed Aircraft is asking for an extra billion dollars to keep them afloat so that they won't go under. I am not sure of the administration's position on this, but I understand that Lockheed has announced that they are going to sue for $225 million on the contracts that they have had with the Federal Government.

I think there would be countless other examples which one could give. I really am at a loss to understand the priorities of this administration. I am persuaded from testimony that has been given that institutions of higher education are going under; that they simply cannot make it. Their loss would be disastrous to the national interest. And yet I hear no concern expressed by the administration and see no effort to offer any real assistance.

Mr. BRADEMAS. Madam Chairman, may I simply say, "Right on!"

Secretary RICHARDSON. Madam Chairman, we are concerned about the plight of the institutions of higher education, and, as I indicated earlier, we are giving very intensive thought to the question of what the response of the Federal Government should be. We are not satisfied that it has been adequately thought through. We are not satisfied that a uniform cost of education grant, for example, attached to student assistance is a fair or adequate way of dealing with a problem.

Beyond that, we are convinced that among the most inefficiently administered institutions in the United States, by and large, are our institutions of higher education, and that before we turn to means of providing help to them we ought to be clear about what help is needed.

Mrs. **Green**. May I interrupt there, Mr. Secretary? Would you want to refer to institutions of higher education as the most inefficiently administered? Would you compare them with Lockheed and Penn Central?

Secretary **Richardson**. I have no means of comparison. I suspect that their facilities are used a large percentage of the day and more months per year.

Finally, I would point out that we have requested an increase of $900 million for higher education, which represents, we think, a substantial indication of the priority we attached to it.

Mrs. **Green**. Yes.

Mr. **Brademas**. I would just comment on the observation of the Secretary that they don't really feel they have had enough time to go into these matters. It has been 2 years now and in the final 2 years of the administration I would hope you would work something out.

Mrs. **Green**. If my friend from Indiana will allow me, I would point out that the administration has had the same time to think through the needs of higher education that they have had to think through Penn Central's needs.

Mr. **Dellenback**. Madam Chairman, will you yield?

Mrs. **Green**. I will yield.

Mr. **Dellenback**. I would say, Mr. Secretary, on this matter of aid to the institutions, that there are some on our side of the aisle who feel also very strongly that we should look again and continue what we know you have been doing in the way of looking to see what we might possibly do in the way of aiding institutions. I don't agree with the implication of some of the questions that have been put to the Secretary on this point, we know from our discussions directly with the Secretary and you, Mr. Commissioner, that you have been looking at this hard. And the question is, not whether or not you are concerned about it, but where we in order of priority and needs put this type of aid.

I might say for myself I feel we should go into this area and we hope that your minds at this stage of the game are by no means closed. I have clear implication that they are not closed, and we hope you will join us to see if there is something we can do. Institutions are in need of aid, and we feel they should be given the aid.

Mrs. **Green**. I appreciate the comment of my colleague from Oregon. I am also aware of the views of the gentleman from Minnesota and the bill which he has introduced which would provide institutional aid.

Counsel has just provided me information that on the Lockheed overrun, not on the original contracts, but on the overrun, they have received $477.8 million from the Government. In contrast we have before us a proposed $900 million increase for higher education, at the same time that we are encouraging more and more students to go on to higher education and consequently placing greater demands on our institutions. It just seems to me that we are not dealing with our institutions of higher education very fairly in comparison with many other institutions in our society.

I would like to ask one more question referring back to student aid. I wonder if the proposal of this administration to allocate aid on the basis of family income might not drive many young people from middle-income families to the decision to make themselves eligible for aid be separating from their parents and declaring themselves to be independent family units.

Secretary **Richardson**. I have no way of assessing that possibility.

Mrs. **Green**. What would be the ruling, if you did?

Secretary **Richardson**. If there has ever been such a tendency, that it would have been made felt long since. Because what we are proposing would substantially increase the availability of student assistance.

Mrs. **Green**. Do you think this would be analogous to the man-in-the-house rule?

Secretary **Richardson**. I don't see any particular reason to suppose that the criteria that are to be established under this law which are not written into it with respect to the contributions for a family at a given level would be such as to make it unlikely that the family would in fact be willing to make that contribution. We think the standards that can and would be derived would be fair to the family as well as to the student, and that they wouldn't have the effect that you are concerned about. If we should have any evidence that this were happening, it would follow I think that we were applying an inappropriate standard with respect to family constitution.

Mrs. **Green**. All indications are that there is a rapidly increasing dissatisfaction on the part of students from middle-income families who feel that they cannot get any aid. If the appropriation were large enough so they could get the full $1,000 EOG and all of the work study they want, there wouldn't be any problem. But you know as well as I do that those funds are allocated to institutions on a percentage basis.

Mr. **Dellenback**. Madam Chairman, I would say on this very point that Madam Chairman has made effectively and well, the Secretary made comment earlier that he is fully aware of that concern and it is because of that deep concern that they are proposing changes. And it is in this bill that there are significant changes proposed.

Mr. Secretary, may I put this closing question to you? As I have analyzed what has been said this morning, I don't think we should lose track of the fact that the fundamental emphasis of what has been proposed in this legislation is this: in 1971 there were appropriations for grants and work study and NDEA of $371 million, a total of $333 million for grants and work study and $237 million for NDEA. The appropriation proposed for 1972, you have proposed increasing that for grants and work study to $575 million and for NDEA for $85 million, for a total of $860 million, or an increase in appropriations of $90 million.

So far as available aid is concerned, it brings with it in packaging grants, work study and NDEA an increase from 1971 aid of $702 million to 1972 proposed aid of $1,785 million in aid. So that you are talking about changing the basic approach and not making the fundamental Federal mistake of saying we have started it this way so for heaven's sake until the end of time let's go on doing what we have been doing before.

You are talking about using the leverage of increasing appropriations by only $90 million and in so doing, because of a change in approach, increasing the aid available by $163 million. Is this substantially accurate and is this a major part of the thrust of your testimony this morning?

Secretary Richardson. It is indeed, Mr. Dellenback, and you have stated the points very well indeed.

Mr. Dellenback. Thank you very much, Mr. Secretary, for your being with us and giving us this, I think, very helpful testimony and opening up on these bills some basis for thought.

Mrs. Green. I will say, Mr. Secretary, that there is not unanimity of opinion between the congressional committee and the executive branch. I hope that as a result of the questioning this morning the Secretary will reevaluate some parts of this bill, especially with regard to institutional aid.

I want to announce categorically that I will strongly oppose in every way possible any step that might lead to the phasing out of the NDEA loan program. I hope Mr. Marland, when he returns, will be prepared to tell us how much it would cost to put NDEA on a revolving fund basis and not include it under the secondary market, so that we will be assured that NDEA will stay in existence and not allow the Bureau of the Budget to make that decision that should rest with the legislative branch.

Mr. Secretary, we cannot meet this afternoon because we have a caucus of the committee. Would it be possible for you to return sometime in the next few days? I know your schedule for the next 2 days is very full. Would Friday be convenient?

Secretary Richardson. I am not sure, Madam Chairman. I would hope when the committee reconvenes that it would hear the Commissioner and the Deputy Commissioner, and that I might not be required to be present at that session.

Mrs. Green. We do have the Commissioner and Deputy Commissioner scheduled and we look forward to hearing them. We do, however, have other questions that I think only you can respond to as the Secretary of HEW. I have in mind particularly questions in regard to the Foundation. Speaking for myself, I am a bit confused over that proposal. You stated at one point that it is to be autonomous, and yet at another point you state that it is to be within HEW and is to report to you through the Commissioner of Education.

I find a conflict.

Secretary Richardson. I said it would have an independent director. I didn't mean to put that in a way inconsistent with his reporting to the Commission.

Mrs. Green. I hope that we can work out an arrangement with you to return another time, too, because of the questions I think need to be directed to you in this regard.

I would ask unanimous consent that the testimony of the Commissioner be inserted at this point in the record so it will available to all of the members of the committee. It is my understanding that you are returning, Mr. Commissioner, next week with Mr. Muirhead. I believe we have you scheduled for 2 days.

(The prepared statement of Commissioner Marland follows:)

Statement of Sidney P. Marland, Commissioner of Education, U.S. Office of Education

Madame Chairman and Members of the Committee, I am certain that I don't need to stress to the members of this committee the value of higher education in America today, both to the individual and to the Nation. Latest figures show that a person with four years of higher education will, over the course of his life, earn about $213,000 more than a person with a high school diploma. Yet this figure, significant as it is, does not begin to reflect the value to the person of the sense of satisfaction which comes from knowing that one has been able to grow to the fullest possible extent.

As I pointed out at the White House last week, a student from a family with an income of $15,000 is almost five times more likely to be able to attend college than is one from a family with an income of $3,000 per year.

We think that we have proposed an answer to this dilemma which will insure that *any* student who wants to go on to higher education will not be denied that chance simply because his family's resources are too meager. I'll leave the discussion of the specifics of our student financial aid proposals to a later point in my testimony; but I would like the committee to consider what this prospect will mean—to the student, to his parents, to the school, to the community.

First, to the students and his parents, the knowledge that the money for a college education will be available when needed should have a pronounced effect on the goals of children from lower income families. No longer will parents have to try to discourage a bright child from dreaming too much about the future simply because there is no prospect that the money will be there when the need is. No longer need parents encourage their children to take high school courses which do not fully meet their needs simply because there is little likelihood that the traditional academic courses will provide the skills necessary for one who must earn a living immediately after graduating from high school.

To the school, this turn of events will mean that guidance counsellors can *really* begin to help promising students develop to their fullest potential without the guilty feeling, which some must have, that they are not really acting in the student's best interests when they raise his or her sights, only to have these young ambitions crushed because of lack of money.

Finally, to the community, this group of young people will serve as examples of what can be done to break the grinding cycle of poverty. Younger children will know that they too can dream, and see their dreams fulfilled. Parents will be able to speak with pride of *their* son, the doctor, or *their* daughter, the engineer.

In short, Madame Chairman, we are talking about hope.

We do not, of course, claim that making available the opportunity for higher education will solve all the problems of the world; but we do believe that many of the ills of our society which result from frustrated hopes can be ameliorated.

The second feature of the Administration's proposals which I should like to briefly touch on is our recommendation for a National Foundation for Higher Education.

In many ways I believe that the Foundation proposal is analogous to our student financial aid proposals, for both are aimed at aiding the recipient—in one case, the school; in the other, the student—to fulfill its potential.

I view the National Foundation as a device to aid schools to decide rationally what *they* want to become and to be a source of seed money for them in their attempts to realize their plans.

In some cases these plans may involve new ways of doing familiar things, such as developing more economic methods of administering institutions or changing the methods of recruiting and retaining faculties. In other instances, more fundamental change may be desirable, such as the development of new kinds of institutions for higher education. In both situations the National Foundation would be a source of aid.

In addition, the Foundation hopefully would work towards the develpment of a national policy for higher education, including an examination of the federal government's impact on policy formulation and institutional behavior.

Many of the activities which the Foundation ultimately would fund might very well arise as a result of research activities originally supported by the proposed National Institute of Education. The Foundation would provide financially pressed higher education institutions with an extra margin of funds to begin putting promising concepts to work.

As a final point in my personal remarks, Madam Chairman, I should like to stress once again the urgency which exists to act on both the Higher Education Opportunity Act and the National Foundation for Higher Education Act. June 30 is approaching rapidly and letters of admissions are already being sent out to next year's freshmen. I hope that the Congress will see fit to pass this legislation at the earliest possible moment.

I would now like to describe in some detail the provisions of the Higher Education Opportunity Act of 1971.

TITLE I

Title I would extend Title I of the Higher Education Act through 1973. The existing authority for community services and continuing education programs contained in that title would continue without change. Because we are reviewing the place of categorical programs such as this in the context of the broader Federal role in higher education, however, we are only asking for a two-year extension.

TITLE II

Title II would extend and amend the library programs contained in Title II of the HEA. At present there are three types of grants made under Title II—basic, supplemental, and special purpose grants. We propose to increase the proportion of funds targeted on special purpose grants, reducing basic and supplemental grants from seventy-five to fifty percent of the sums appropriated for Part A. The remaining fifty percent available for special purpose grants would provide more assistance for:

> Institutions or their branches which demonstrate a special need for additional library resources;
>
> Institutions or their branches which can meet special national or regional needs in library or information sciences; and
>
> Combinations of institutions which need special assistance in establishing and strengthening joint-use facilities.

We feel that a greater concentration of Federal assistance in such institutions will help assume that the resources devoted to library materials will have the greatest impact on the quality of postsecondary education in this country. Again, because we are reviewing the place of categorical programs such as this, we are asking for a two-year extension.

In Part B of Title II, relating to Library Training and Research we would propose two changes. First, we believe that the provisions which relate to training of library professions should be coordinated with other education professions training activities. Therefore, we are proposing that this authority be transferred from Title II and added as a new Part G to Title V (Education Professions Development Act). Second, we are asking for repeal of the research and demonstration component of Part B, which merely duplicates authority already contained in the Cooperative Research Act.

We are also asking for repeal of Part C, which allows the transfer of HEW funds to the Library of Congress for the Library's use in acquiring valuable materials and in preparing cataloging information. This vital function will be continued more appropriately under the budget authority of the Library of Congress.

TITLE III

Title III extends, with technical amendments, Title III of the HEA—Strengthening Developing Institutions. This title has played a significant role in assisting weaker institutions of higher education, especially predominantly black colleges in the South, in their struggle to stay in the mainstream of academic life in this country. Federal assistance has come in the form of grants for cooperative arrangements between a developing institution and a stronger one, in National Teaching Fellowships, and in the support of Professors Emeritus.

We are also proposing two amendments to the existing law. One would clarify the requirements for participation of institutions which offer less than the bachelor's degree. This would provide that only institutions which award a bachelor's degree must meet the requirements of sections 302 (a) and (b) that institutions be established for five years before they may meet the definition of developing institutions. This change would allow new community colleges, which are being established at the rate of 60 a year to receive funds promptly under this title. Such institutions would, of course, be funded under the existing set-aside of 23 percent for two-year colleges.

The second amendment would amend the professors emeritus program to provide that professors emeritus may come from the developing institutions themselves, as well as from stronger and more recognized colleges and universities. We have found that these faculty members often understand the unique problems of students at developing institutions much better than other retired faculty from more traditional schools.

TITLE IV

Title IV contains amendments to student financial aid programs.

I. Present Programs: Description and Problems

The Office of Education presently administers four major programs for aiding students: Educational Opportunity Grants, the College Work-Study program, National Defense Student Loans and Guaranteed Loans.

The first three programs are mainly funded by the Federal Government and administered by colleges and universities. The amount of funds available to the institution for these programs depends on the total funds appropriated by Congress, State distribution formulas and the approval of regional review panels. Once the college has its various allocations, the student aid office determines what mix of grants, work-study payments and loans is appropriate for each individual eligible student.

Commercial lending institutions, primarily banks, operate the Guaranteed Loan programs. Loans are made at the maximum interest rate of 7 percent to the student. The Federal Government guarantees the loans against default, pays the student's interest on subsidized loans while he is in college and makes a special payment to the lenders during tight money conditions. There are several problems with this system of student aid:

Availability of funds.—Allocation formulas, matching requirements and insufficient funds limit the aid which institutions can award to individual students. Colleges enrolling large numbers of disadvantaged students are in an especially difficult position because of the matching requirements.

Limited loan funds.—Existing loan programs provide an inadequate volume of lendable funds because (a) the National Defense Student Loan program requires capital outlays from the Federal budget which has been under severe fiscal pressures and restraints for the last several years; and (b) students must compete with other borrowers (who often offer more profitable investment opportunities) for the lendable funds of banks under the Guaranteed Loan program. (Low-income students with limited bank connections sometimes find themselves at a particular disadvantage.)

Open-ended expenditures.—The Federal Government is obligated to meet its commitment to pay the interest on subsidized Guaranteed Loans while students are in college. As interest rates rise, and as more and more middle and upper income families find it in their interest to take advantage of these subsidies, a larger and larger share of Federal funds for student aid is being diverted away from the most needy students. The system as a whole has a built-in tendency to become less progressive as these subsidies absorb a disproportionate part of any budget increase for student aid.

Uncertainty.—A student who wants to go to college cannot tell where he can get aid or how much he can count on in advance of his admission and the particular student aid office determination. Nor can a bank assure the student in advance that it will have funds to lend to him.

Inequitable distribution.—Federal funds do not necessarily go to those students who need them most. Moreover, different colleges assess need in different ways. Substantial subsidies go to middle and upper income students, especially under the Guaranteed Loan program.

II. Proposed Programs: Purposes

The Administration's improvements in the existing student aid programs have five major purposes:

To assure the availability of funds to every qualified student.

To assure that Federal funds go first, and in the largest amounts, to the students who need them most.

To provide potential students with as accurate information as possible concerning the aid they can expect.

To assure that all students of equal need are treated alike.

To provide additional financial aid to students attending high cost institutions.

III. Proposed Program: Concept and Structure

The Administration is recommending a coordinated student aid system with two parts: (a) a combination of grants, work-study payments and subsidized loans for full-time undergraduate students with low to middle incomes attending public and non-profit postsecondary educational institutions as well as proprietary institutions of higher education; and (b) creation of a National Student Loan Association to raise money privately and make it available for all postsecondary students at all income levels.

A. Grants, work-study payments, subsidized loans.—The basic concept is that all students whose families can be expected to make the same contribution should have the same help available for their education from Federal sources. The combination of family contributions plus Federal grants, work-study payments and subsidized loans would be enough to enable any student to meet minimum education expenses. The key determinant is family income (and, thus, family contribution). Students from lower income families would receive more Federal aid than students from higher income families. (Lower income students would also receive a larger proportion of their aid in the form of grants and work-study payments rather than in the form of subsidized loans.) But the total resources available (i.e., family contribution plus Federal aid) to students at different income levels would be made equivalent.

The system would work as follows. Each year the Secretary of HEW, after conferring with the Advisory Council on Financial Aid to Students, would publish a schedule indicating the amount of Federal funds available to students with varying family contributions. Each student's eligibility for aid would be calculated by determining the expected family contribution toward his educational costs. This determination would take into account such factors as the size of the family, the number of children in college, extraordinary family expenses and capital assets. The deficiency between expected family contribution and the amount of resources the student should have available to him would be met by a combination of grants, work-study payments and subsidized loans.

For example, under the Administrations' fiscal 1972 budget proposals, students from families unable to provide more than $1,400 to assist with the cost of postsecondary education would be eligible for Federal funds. The maximum foundation support (grant and work-study plus subsidized loan) available to any one student would be $1,400; i.e., to students from families unable to afford any support. The maximum grant available to any one student would be $1,000. In addition to these base amounts, students who (1) meet the eligibility criteria for subsidized aid, and (2) attend schools with annual average cost in excess of $1,400 would be eligible to apply for an additional subsidized "cost of education" loan of up to $1,500. This program would be controlled by schools in a manner similar to the present NDEA loan programs and terms to students would be approximately the same as those governing present NDEA loans. The amounts of aid to be available at different income levels for families of different sizes under the funding levels contemplated by the Administration's proposals are illustrated in Attachments I and II.

Several others features of the proposal deserve mention:

All aid from State and private student aid programs would be *in addition* to Federal aid, and would permit students eligible for it a wide choice of the type of institution they attend.

A "grandfather" clause would assure that students receiving aid under the EOG, work-study, and NDEA title II programs would receive no less under the new system than they were entitled to under the old one.

Institutions of higher education would preserve the option, within national limits set by the Commissioner of Education, of determining *the mix of grants and work-study payments* approximate to the individual student.

The National Defense Student Loan Revolving Fund (currently about $140 million not already lent) would continue in its present form, except that no new Federal appropriations would be made to the fund. Loans would continue to be made in a manner similar to current NDSL's; however, cancellation for teaching, military service, Peace Corps service, etc. would be eliminated for new loans.

Loans from this fund would go first to students eligible under the "grandfather clause" in the bill; remaining funds would be used to provide subsidized loans under the Higher Education Opportunity Act.

Students attending proprietary institutions of higher education would be made eligible for all benefits.

Finally, these proposals would not alter the valuable features of existing programs:

Educational Opportunity Grants would continue as the basic grant program but without matching requirements.

The College Work-Study program would continue. Colleges would continue to match work-study funds provided by the Federal Government (one dollar for four) but this requirement would be waived for institutions or work programs which it would hamper.

B. National Student Loan Association

The purpose of the proposed National Student Loan Association (NSLA) is to increase the amount of resources available for loans (both subsidized and unsubsidized) to all students at all income levels.

NSLA would be a private corporation, chartered and established by the Federal Government. It would raise funds by issuing its own obligations for sale in private capital markets. These obligations would be guaranteed against default by the Government, allowing the NSLA to pay a lower rate of interest.

With the proceeds from its sales, NSLA would buy, sell, or warehouse (buy under the condition that the seller will repurchase, i.e., NSLA "stores" the loans) student loan paper from colleges, banks or other eligible lenders. Typically, a college without funds of its own to invest in student loans would make a loan to a student and then turn immediately to NSLA to sell the student's note.

NSLA would significantly increase the flow of funds into student loan markets. Both banks and colleges would be encouraged to do more student lending. It is estimated that NSLA may buy up to $2 billion worth of loans in its first year of operation.

The Guaranteed Loan Program would continue to be open to all college students, however high their family incomes. However, some changes would be made in the program. First, the 7 percent interest ceiling would be eliminated. Second, the interest subsidy paid by the Federal Government on student loans to other than low income students while they are in college and the special allowance paid to banks would be eliminated. The program would continue to be an unsubsidized loan program except for students meeting a test of need.

Several other features applicable to both subsidized and unsubsidized loans are of significance:

Banks and other financial institutions would make both kinds of loans.

Loan ceilings would be raised and would apply to the aggregate of both subsidized and unsubsidized loans. A student could borrow up to $2,500 a year for up to seven years.

The length of the maximum permissible loan repayment period would be increased to twenty years from the present ten.

Student borrowers would not have to pay interest while they were still in college. Federal payments would cover interest charges on subsidized loans. On unsubsidized loans, lender would be required to allow the student to defer payments of both interest and principal while the student was in college. The government would guarantee deferred interest payments along with principal.

The student could prepay his loan at any time without penalty.

Lenders would also be permitted to agree, at the time the loan was made, to allow the student to defer payments and interest up to an aggregate of five additional years. In such cases, the student would be allowed to choose those times during the repayment period when regularly scheduled payments would be especially burdensome. The Federal Government would guarantee interest charges during such periods.

IV. Proposed Program: Consequences

It is estimated that in Fscal Year 1972, the first year of operation of the program, :

Two and one-half million students would receive benefits, an increase of one million over the number of students receiving assistance under present programs.

Approximately $575 million in grants and work-study payments would be available, an increase of $242 million above FY 1971.

About $1.2 billion would be available to make loans under the subsidized loan programs, an increase of $830 million.

V. Problems Solved and Purposes Achieved

The Administration's student aid proposals overcome the problems and achieve the purposes noted earlier.

Availability.—Every student who qualifies for direct Federal assistance under the schedule established by the Secretary of HEW will receive such assistance.

NSLA will provide an adequate supply of lendable funds for students who do not qualify for subsidies.

Need.—Grants, work-study payments and subsidized loans will be concentrated on those in most need: students from low-income families.

Certainty.—The aid schedule published annually by the Secretary of HEW would inform every eligible student of the amount of aid he could expect, subject to review by the financial aid officer at the college of his choice.

Equity.—Students whose families could be expected to make similar contributions would receive equivalent amounts of aid.

TITLE V

Title V amends and extends programs dealing with the training of educators authorized by the Education Professions Development Act (Title V, HEA). The Administration is proposing eight technical amendments to the Education Professions Development Act. Following is a brief description of the amendments, outlining the reasons why each is being proposed.

I. Extension of Parts A, B, D, E, and F of Title V for Five Years

We are proposing the combination of Parts C (Graduate Fellowships) and D (Training Programs) of EPDA. This is accomplished by allowing the appropriations authorization for Part C to lapse. The reasons for this proposed change are:

A. The language of Part D (Improving Training Oportunities for Personnel Serving in Programs of Education Other Than Higher Education) is broader than that of Part C (Fellowships for Teachers and Related Educational Personnel). Everything funded under Part C can be supported under Part D; and in fact, the Bureau of Educational Personnel Development is not using the Part C authority at all in 1971 due to the narrowness of its concerns.

B. Two very high national priorities, increasing the educational achievement of children of low-income families through provision of better teachers, and implementing the most promising new approaches to effective training and retraining of teachers, either cannot be addressed effectively or are precluded under Part C. The broader language of Part D encourages the direction of resources to these needs.

C. Potential applicants under Part C are limited to institutions of higher education with graduate programs. This is in direct contrast to Part D under which all colleges and universities, including junior and community colleges, State departments of education and local educational agencies (18,000 school districts) are potential applicants. Cooperative Federal-State relationships under Part D have proven useful and effective. Nearly 50 percent of all EPDA funded projects are funded through local education agencies, which have the best knowledge of their own training needs.

D. Individual and institutional payments under Part C are on a set formula basis, requiring a stipend to the student and an institutional assistance grant to the university of $3,500 each. This does not cover the actual training costs or encourage local contributions to projects as occurs under Part D.

E. Teacher fellowship programs such as the Prospective Teacher Fellowship Program funded under Part C, have not produced substantial numbers of teachers for the disadvantaged, and have tended to attract teachers from fields which are now in surplus nationally. Part D addresses itself specifically to meeting areas of shortage such as early childhood, special education, and vocational-technical education. In addition, the Teacher Corps is proving to be a much more effective vehicle for attracting talented college graduates (especially males and minorities) to teaching the disadvantaged and providing them with appropriate preparation than was the case with fellowship programs funded under Part C.

II. Amendments to Part B (2)

A. Increasing the amount of State funds for Administration. The States are currently allowed 3 percent of their State allotment for administrative costs. This amount has not proven sufficient for most States to assess critical needs, administer the program, and evaluate projects. The amendment would allow States a sum not to exceed 5 percent or $20,000, whichever is higher.

B. Elimination of the ceiling on amounts expended by States for teacher aides.

Currently the States can utilize only one-third of their allotment to attract, train and qualify teacher aides. The amendment removes this one-third restriction and allows State discretion as to the proportion of funds expended for training teachers. This amendment is included since experience has indicated wide variation among States in the needs for recruitment and teaching of teachers and teacher aides.

C. Authorization of training programs directed at retraining teachers already in school systems so that they may teach in other grades or in other subject matter areas. Currently the legislation allows for the recruitment and training of people who have never been, or who are not now employed in the schools. The State grant program was designed as a means of attracting people to the field of education, particularly in critical shortage areas. However, there is now a national surplus of teachers, and many States would prefer to use Federal funds to retrain teachers already employed to meet shortages rather than recruiting new personnel.

III. An Amendment To Make Indian Schools Eligible For Funding Under EPDA.

Federally run and Federally supported Indian schools under the Bureau of Indian Affairs are not presently eligible for funding under Part D of EPDA. Inclusion of these schools would allow for on-premises staff training in these schools and a wide variety of other benefits. The National Advisory Council on EPDA has recommended that BIA schools be made eligible for personnel development benefits.

IV. Amendment To Allow For The Compensation of Tutors Participating In Youth-Tutoring-Youth Projects and Other Tutors in Career Opportunities Programs.

At the present time tutors, typically selected by COP project directors from high school and college students, to tutor other disadvantaged children cannot be compensated for their services or even for expenses involving their services under EPDA, since the tutors themselves are not necessarily training to be teachers. Elaborate arrangements have had to be made with the Neighborhood Youth Corps in order to arrange for compensation. Experience to date indicates that youth-tutoring-youth programs are an effective means of attracting and involving low-income students in the educational process and of improving the learning capabilities of both the tutor and tutee. We feel that the program would be more effectively administered if authority to minimally compensate tutors (who often come from low income homes and cannot even afford bus fares) were included in EPDA.

V. Extension Of Authority Under Part D to Permit Large Scale Upgrading Of The Undergraduate Preparations of Teachers and Other Educational Personnel.

This amendment is designed to fill a gap in EPDA. The present authorization does not permit grants for the direct reform of regular undergraduate programs for the development of educational personnel. Since those programs prepare over 90 percent of all teachers and other educational personnel, the gap is a serious one insofar as it affects BEPD ability to deal with "improving the quality of teaching", one of the two primary purposes of the EPDA. The proposed amendment does *not* authorize stipends and other types of support for individual students. It would, direct all of its resources to the development of better *programs* for training those undergraduates. The amendment would provide a more productive vehicle than the traditional institutes for bringing those concerned with the academic disciplines together with those concerned with teacher training in joint efforts to improve the quality of teaching.

VI. Addition of A New Part G To Authorize Training of Library Personnel.

This amendment simply creates a new Part G of EPDA containing the language formerly in Sections 221–223 of Title II of the Higher Education Act. These sections authorize the Commissioner to make grants to institutions of higher education for establishing training institutes and fellowship programs for persons coming under the category of "librarians". These sections of HEA Title II are being transferred to EPDA in an attempt to place all educationally connected training programs within the same act. This is consistent with Administration efforts at consolidation and coordination of programs.

VII. Consolidation of NDEA title IV (National Defense Fellowships) with title V-E.

The bill repeals title IV NDEA effective July 1, 1971 and broadens existing authority in Part E of title V HEA to allow funding similar activities under title V

TITLE VI

Title VI would repeal five existing titles of the HEA—Title VI (Financial Assistance for the Improvement of Undergraduate Instruction); Title VIII (Networks for Knowledge); Title IX (Education for the Public Service); Title X (Improvement of Graduate Programs); and Title XI (Law School Clinical Programs). These are all relatively narrow categorical programs and the last four have never been funded. Rather than maintaining these categorical authorities, the Administration is proposing the creation of the National Foundation for Higher Education. The broad authority for the Foundation, one of the purposes of which is "to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein." This authority will permit funding of projects of merit in all of these areas.

TITLE VII

Title VII amends the General Provision in Title XII be redesignating XII as VIII and by adding a new section which requires that applicants under Titles II, III, and V must make assurances that there will be:

No supplanting of Federal funds for other funds;

Fiscal control and fund accounting to assure proper disbursement and accounting for Federal funds;

Proper evaluation and dissemination of results;

Such reports made and such records kept as the Commissioner may find necessary.

Similar provisions in Titles II, III, and V are repealed. These amendments continue the efforts already begun in P.L. 91-230 to standardize general provisions wherever possible.

TITLE VIII

Title VIII extends the Higher Education Facilities Act through June 30, 1973, including the grants authority under titles I and II. In addition, it adds a new program designed to aid private nonprofit institutions of higher education by providing Federal insurance of loans for the construction of academic facilities at these schools. The Federal insurance of both principal and interest on these loans should greatly improve the borrowing power of these institutions, as well as creating considerable for the Federal government in loan subsidy payments. This authority should prove to be especially beneficial to private black institutions.

TITLE IX

Title IX extends title VI of the National Defense Education Act (Language Development) for two years. Once again, we are asking for a two-year extension because of the general review of categorical programs.

TITLE X

Title X deals with discrimination against women in the educational community. It would prohibit discrimination on the basis of sex by any recipient of Federal assistance for any educational activity or program, except where sex is a bona fide ground for differential treatment. This latter provision would allow single sex institutions to continue.

The title would permit termination of grants to any recipient of Federal funds for education who fails to comply with this requirement. This action would only be authorized as a last step, of course, and only after adequate hearings, formal findings of noncompliance, and judicial review, if necessary.

ATTACHMENT I

FAMILY CONTRIBUTION BY INCOME LEVELS AND NUMBER OF CHILDREN IN THE FAMILY

Income levels	Family contribution by number of children (1)	(2)	(3)	(4)	(5)
$3,000	0	0	0	0	0
$4,000	$300	$110	0	0	0
$5,000	530	320	$160	0	0
$6,000	750	540	350	$220	$140
$7,000	990	750	530	390	310
$8,000	1, 220	950	710	560	480
$9,000	1, 460	1, 150	890	720	640
$10,000	1, 690	1, 350	1, 060	890	800
$11,000	1, 920	1, 540	1, 230	1, 040	890
$12,000	2, 150	1, 730	1, 400	1, 190	1, 090

Note: Family contribution, as well as the amount of available resources, would vary as family income is weighted to reflect the number of children in the family, the number of children in college, extraordinary family expenses, and capital assets.

ATTACHMENT II

BENEFITS AVAILABLE TO STUDENTS BY THEIR EXPECTED FAMILY CONTRIBUTION

Family contribution	Grant/work-study support	Subsidized loans	Cost of education loans	Total
$0	$1, 000	$400	$1, 500	$2, 900
$200	800	400	1, 500	2, 900
$400	600	400	1, 500	2, 900
$600	400	400	1, 500	2, 900
$800	200	400	1, 500	2, 900
$1,000	0	400	1, 500	2, 900
$1,200	0	200	1, 500	2, 900

Note: These Federal support levels can be supplemented by: 1. Institutional student assistance; 2. Students summer earnings; 3. State and private student assistance; 4. Federally guaranteed loans.

Mrs. **Green**. There will be a session of the committee tomorrow . Our witnesses will be the representatives of the Association of American Colleges, Frederick W. Ness and Mr. Fisher, the president of Towson State College, representing the Association of State Colleges and Universities.

We are adjourned until tomorrow.

(Whereupon, at 12:13 p.m., the subcommittee recessed, to reconvene Wednesday, March 3, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

WEDNESDAY, MARCH 3, 1971

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Thompson, Pucinski, Brademas, Quie, Dellenback, Esch, and Steiger.

Committee staff members present: Harry Hogan, subcommittee counsel, and Robert C. Andringa, minority professional staff assistant.

Mrs. Green. The subcommittee will come to order for the further consideration of the higher education legislation which is due to expire on June 30 of this year unless this committee takes action in the way of passing a new bill or amendments.

The first witnesses this morning are Mr. William W. Jellema, executive associate and research director of the Association of American Colleges, who has written a most interesting report, and Mr. Frederick W. Ness, the president of the Association of American Colleges.

So if you two gentlemen would come to the table—Mr. Ness, I think we are going to call on you first to introduce the other gentlemen.

STATEMENTS OF WILLIAM W. JELLEMA, EXECUTIVE ASSOCIATE AND RESEARCH DIRECTOR, ASSOCIATION OF AMERICAN COLLEGES, AND FREDERICK W. NESS, PRESIDENT, ASSOCIATION OF AMERICAN COLLEGES, ACCOMPANIED BY PETER H. ARMACOST, PRESIDENT, OTTAWA UNIVERSITY, OTTAWA, KANS., AND PRESIDENT, ASSOCIATED INDEPENDENT COLLEGES OF KANSAS

Mr. Ness. Mrs. Green and members of the committee, as president of the Association of American Colleges, a national organization of over 850 undergraduate colleges of liberal arts and sciences, I am delighted to accept this invitation—to accept the invitation of this committee and its chairman—to present the preliminary findings of a study recently completed by my association on the financial status of private institutions.

I am accompanied by the author of that study, William W. Jellema, whom I will introduce further in a few minutes, and by Peter H. Armacost, a former staff member of my association who is now both president of Ottawa University, Ottawa, Kans., and president of the Associated Independent Colleges of Kansas.

Because private colleges comprise almost 85 percent of the membership of our association, it is not strange that we should regard the continued strength of private higher education as essential. To help assure this strength, it became essential to develop the hard data on which projections could be made. We have accumulated these data, the most comprehensive and up-to-date information available at this time, and are in the process of completing our analyses. Dr. Jellema's preliminary report has already received national attention since it was first presented at our annual meeting in Cincinnati in January of this year.

My association's support for private higher education is demonstrated further by its recent action to affiliate and fund the operation of the National Council of Independent Colleges and Universities, the organization which coordinates the activities of 33 State associations of independent colleges and universities as they work with State legislatures and the Congress in developing higher education legislation. Because private colleges become members through membership in the AAC or through joining one of these State associations, the National Council of Independent Colleges and Universities has about 1,000 institutional members. The chairman of NCICU is President Terry Sanford of Duke University, and I serve as executive vice chairman.

Thank you again for the opportunity to testify this morning. We hope to have further opportunity at a later date, in concert with other major associations, to comment upon proposed higher education legislation in this first session of the 92d Congress.

And now to introduce briefly the author of the study. Dr. William W. Jellema, executive associate and research director, joined the association 3½ years ago, coming from the faculty of the University of Michigan. From the beginning of his service to the association he has had a concern with developing studies similar to one you are about to review. To give some indication of the amount of data he has assembled, the variety of answers to just one of the 21 basic questions he asked in his survey has provided him with 276,000 items of computer information. This rather boggles my imagination, at least. All of his data are on a computer, ready to yield varieties of analyses as he or you should call for additional information. This study is unique in its comprehensiveness and the firmness of its statistical basis; and the final report will therefore be a document of exceptional significance.

I would like Dr. Jellema to take over at this point.

Mrs. GREEN. Gentlemen, we welcome you and we are most anxious to hear the summary of your report and your study.

STATEMENT OF WILLIAM W. JELLEMA, EXECUTIVE ASSOCIATE AND RESEARCH DIRECTOR, ASSOCIATION OF AMERICAN COLLEGES

Mr. JELLEMA. Thank you very much, Mrs. Green. It is a privilege to be here.

Subject to your approval, I thought that I would briefly verbally italicize some of the sections of the report, taking maybe 15 or 20 minutes, and then open it up for interchange. If you have questions during that initial period, however, please don't hesitate to interrupt me.

The two points I want to make at the outset are these: One, that this is a study very substantially based, we feel—not merely in terms of 276,000 computer items for an individual question—but more importantly in terms of the numbers of institutions that were encompassed in the survey. What we have here, are data based upon 72 percent of all private 4-year accredited colleges and universities in the country. This leads us to feel that we have a reasonably stable basis for making reliable estimates about what the picture is then for all of private accredited higher education in the country.

The other introductory point is latent in Dr. Ness' remarks; namely, that the study is a dynamic one, it is in process. This is a special preliminary report, the tip of our iceberg. We have more analyses to carry out, more data to release, and I say that by way of an invitation to you to turn to us as you develop specific questions. If we have the data and can make the analyses, we will be happy to see if we can provide that information.

One or two words about the years embraced in this study. We turned to 1967–68 and 1968–69, 2 years for which all of our institutions had completed financial data, and then asked them to project data for 1969–70 and 1970–71.

The year 1968, therefore, takes on some of the nature of a base year; and because it is far and away the best financial year in our study there might be a tendency to assume that it was an especially good year with which we wanted to contrast some bad ensuing years. This is not the case.

An illustrative anecdote was conveyed in the letter that a friend sent me, gleaned from a President's annual report.

> During all the years of its development as a church related university,

the president wrote:

> This institution has experienced a great frequency of financial crises. Only the Almighty's repeated answering of the sustained prayers raised by the school's courageous board and administration has prevented many potential catastrophes from occurring.

Then, with unconscious irony which italicizes the fact that the financial crisis which was visible in many institutions by at least 1968 was no common one, the President's report continued:

> Now, however, the seriousness of the commitments necessary to implement the University's ambitious program requires that the needed degree and continuity of support be more clearly defined and more definitely assured.

"Obviously," my informant commented, "things are in one hell of a mess!" And indeed, for many institutions in 1968, things already were in a very serious financial state.

When one looks at the net surplus or deficit for the year 1967–68, taking all private colleges and universities together and dividing their financial data by the total number of institutions to find some gross beast called an average institution, one finds that in 1968 the average institution finished its fiscal year with a small surplus. The following year it finished its fiscal year with a small deficit of about $20,000, and the following year it quintupled that deficit to something in excess of $100,000. One year later still it projected a continuing deficit, tapering off slightly.

The first 2 years, as I indicated, are based upon firm data and the next 2 years are based upon projected data. We have some aspirations, incidentally, of sending out a very brief followup questionnaire so that we can pin down some of these data for the year that has now become fiscal reality for them. We hope thereby to improve our reporting of these data.

One brief comment about the nature of these predictions. The 1970–71 year is revealed as a tapering off year and that is because some institutions project a marked improvement in their financial situation. Few of them are so optimistic—if they are currently running a serious deficit—to believe they are going to run a surplus; but they do project an improved financial picture on the deficit side of the ledger.

As I wrote in the report, it appears that "Hope, a little inebriated by unwarranted optimism, seems to outrun despair in projecting future income." I am a little pessimistic, based upon spot check followups that we have made, that their hopeful projections may not be as reasonably based as many of the institutions have projected them to be.

A comment or two on the role and nature of surplus and deficit in higher education. I am frequently disturbed, as I am sure you are, to see private higher education written about as though it were proprietary education, as though it were a profitmaking enterprise carried on for the benefit of stockholders who remain in the background, reaping benefits from the largess of this enterprise. From such a perspective, high and ever-rising tuition appears faintly venal and unscrupulous: somebody back there is committing something very wrong. Thus, issuing a report which talks about surpluses and assumes that these are a good thing may add credence to the notion that private higher education is a proprietary enterprise and that somebody is making out very well indeed.

A surplus for an institution is a very important source of growth capital. With it the institution can do the innovative and imaginative things that the public has come to expect of it and which it does well. Without it the institution not only does not do these things but it performs some of its basic activities considerably less well.

An institution barely afloat, with water nearly over the gunwales, has lost much of its maneuverability, its adventurousness and freedom of experimentation. Its innovation and risk taking is confined to putting to sea each academic year. Most ominously, it has no protection against storms. A little student unrest, a little decline in enrollment, a little disenchantment among donors, and the ship may founder. The first thing it does in troubled financial seas is jettison cargo.

Actually it does something before that. It puts to sea with less cargo then it would otherwise have dared risk on the academic voyage. As Alan Pifer perceptibly noted this week, an institution does not move from vigorous life to sudden death. Its demise is more likely to be a protracted and inconspicuous process of progressive debility.

The first stage—and the one at which an institution should be considered seriously ill—is when it cannot make vigouous response to new challenges. Virtually all of private higher education is at this stage and many are at the second, third, fourth, and final stages of vigorous health on its way to demise.

We asked, in our questionnaire, "What programs that you had reasonable aspirations of achieving in the next 5 years have not been initiated because of financial restrictions?"

Over 50 percent described specific programs, academic courses—planned, reasonable, aspirations—held in abeyance because of financial restrictions. A number of respondents indicated specific buildings they had looked forward to constructing and thought they could build during this period but which have been delayed.

Twenty-four percent indicated that they had not built the needed library; 22 percent, performing and fine arts centers; 19 percent, academic facilities; and 25 percent indicated that their library acquisitions are falling behind.

One question that we asked our responding presidents will have special interest for you. This is the question of what type or types of Federal aid the President favored as part of a balanced program. He had three choices: He could indicate that a given program was preferred or that it was acceptable or that it was unacceptable. He could also, of course, make no comment on the type of aid.

The type of Federal aid most often checked as preferred was "Facilities Grants Directly to Institutions." The second most frequently preferred choice was "Institutional Grants Directly to Institutions." Third, "Grants Directly to Students"; fourth, "Facilities Loans"; fifth, "Federally Supported Student Loan Bank"; and finally on the preferred list, "Other Loans Directly to Students."

There were other kinds of Federal aid indicated and these are listed in the report. I won't take the time to rehearse them this morning.

Mr. **Brademas**. Madam Chairman, may I ask just a question there?

Mrs. **Green**. Yes.

Mr. **Brademas**. When you said "Federally Supported Student Loan Bank," you mean direct Federal funds as with the present pattern of NDEA title II, or would you also include federally guaranteed private loans? In other words, what does supported mean in your terminology?

Mr. **Jellema**. The intent of the question was to suggest a "Federally Supported Student Loan Bank" of a type in addition to and different from the present NDEA-type loans.

Mr. **Brademas**. Thank you.

Mr. **Jellema**. Whether our respondents interpreted this that way might be another question.

Mrs. **Green**. Are you saying that they preferred this to an expanded NDEA program?

Mr. **Jellema**. The other category we offered them was "Other Loans Directly to Students." These two followed one another in the list from which they indicated their choices. "The first listed option was the "Federally Supported Student Loan Bank," the second was "Other Loans Directly to Students," and the third in this listing was "Grants Directly to Students." When we tabulate the responses on the preferred list, the "Federally Supported Student Loan Bank" comes one place ahead of the category "Other Loans Directly to Students."

Mr. **Dellenback**. May I ask a question, Madam Chairman?

Mrs. **Green**. Yes.

Mr. **Dellenback**. Can you give us any quantitative rough measure of these responses readily without going back into the background data? You have ranked them in order.

Mr. **Jellema**. Yes.

Mr. **Dellenback**. You have given us a qualitative evaluation.

Mr. **Jellema**. Yes.

Mr. **Dellenback**. How much did one come ahead of the other? Did you find 1 or 2 miles ahead of everything else in the way of responses, or did you get full answers from all of them and you wanted six responses, or did you find that some picked one and three and stopped at that stage?

Do you follow my question?

Mr. **Jellema**. Yes, and the answer is that many types were checked as preferred by a given respondent. When we tabulate the responses there is not a great spread among the several options.

Mr. **Dellenback**. You really would not weigh them substantially?

Mr. **Jellema**. No. I think that becomes even clearer when you add preferred responses to acceptable responses. Then there is a great movement to the top by virtually every one of these first types that I have been talking about. Facilities grants, when you add the preferred and acceptable together, remains at the top but only a few votes ahead of the next five or six which have a spread of only 11 votes out of 516 responses. There are many kinds of aid that are preferred or at least acceptable.

Mrs. **Green**. I am unsure. In your preference you give as the third preference "Federal Aid Grants to Students", but then when you give your fifth one in terms of aid to students you have as the first choice the "Student Loan Bank" and then "Other Loans and then third Grants". How does outright grants to students become the third choice in the general category—really the first up there in terms of aid to students but the third when you get down specifically to student aid, if I understand you?

Mr. **Jellema**. I was not clear at that point. When I talked about grants directly to students being third, I was simply indicating the order in which it appeared on the questionnaire— to help explain, in answer to Mr. Brademas' question, how the respondents might have interpreted the category "other loans directly to students". The respondent was confronted with a list, the first one of which just happened to be "federally supported student loan bank". The second was "other loans directly to students," and the third "Grants directly to students". When the respondent rated these in terms of preference, however, "grants directly to students" received more votes than "other loans directly to students" or "federally supported student loan bank".

Mr. **Brademas**. Madam Chairman, the way in which they structured it, I think gives us both concern.

You simply did not give them the alternative which I think most of us instantly put down, of expanding the NDEA program.

Mr. **Jellema**. Yes. We had a category called "Other" and some filled that in.

Mr. **Brademas**. That is a big word, other.

Mr. Jellema. Yes; but the question was not designed to ask what kinds of additional Federal aid they preferred or found acceptable.

Mr. Brademas. I am not quarreling with you, all I am saying is that just speaking only for myself that it is not a terribly meaningful categorization in terms of the real world when you fail to list the most significant undergraduate Federal student-aid program. Do you see my point?

Mr. Jellema. Yes.

Mr. Brademas. I think your report is deficient in that respect, it does not communicate meaningfully to us what must go through the minds of a real live student aid officer. I respectfully would suggest that to you.

Mr. Jellema. Your point was made by some respondents who indicated this. They, and I, would like to see this kind of loan program expanded.

Mr. Brademas. Because if you don't have that on your list, then they are not likely to respond to it.

Mr. Jellema. Yes.

Mr. Brademas. I am sorry. Go ahead.

Mr. Jellema. I have already indicated that when you add "preferred" votes and "acceptable" votes together, several options come virtually abreast of one another; facilities grants, followed by loans directly to students, student loan bank immediately behind it, facilities loans to institutions, institutional grants, and grants directly to institutions.

Another "deficiency," Mr. Brademas, lies in not being able to spell out precisely what kind of an institutional grant you are talking about or how a student loan bank would work. We had to leave a lot up to the imagination. Responding presidents seem to put in first place the things that they have had experience with. They know them, they like them. Student aid, for example, has been too little and too inconstant, but at least they know what it is about and it is both preferred and acceptable to them. Institutional grants, on the other hand, is a new kind of idea to them and may need fuller explication.

One of the items that becomes clear in looking at these data is that these institutions are spending a very large amount of money and an increasing amount of money on student aid, both direct and indirect and that this is a very important factor in its deficit condition. If you will turn to the graph on page 17, I would like to make a comment or two about it. This graph appears to have everything on it but the kitchen sink, but it is really more sane than it appears at first glance.

What it seeks to show is the net surplus or deficit for the current operating fund of the institution and, in addition, to show the net surplus or deficit for the three typical subaccounts of that current fund; namely, auxiliary enterprises, educational and general, and student aid.

You can see that, for example, in every one of the enrollment categories but one, institutions are running ahead of the game on auxiliary enterprises. In almost every enrollment category, institutions are doing fairly well on the educational and general account—except in the smaller institutions. That falling skyrocket effect of the bottom set of lines, however, is the net deficit in student aid. After institutions subtract their income in that category from their expenditures in that category, they are left with a considerable deficit which plays a major role in depressing that solid line in the graph which is the summation of the three subaccounts.

The second point that I would like to make about this is that private higher education is caught in an ever widening and more vicious cycle. As it moves to extend educational opportunities to those unable to pay that cost assigned to them through tuition, it provides grants to them. Since tuition is its single most flexible source of income, the institution raises its tuition to find the moneys to subsidize the students unable to pay the tuition the institution charges. As it raises tuition to meet those scholarship outlays, it creates yet another group unable to pay the full cost who must in turn be subsubsidized, and thus the spiral continues.

Two-thirds of our institutions indicated that they now have more students requiring financial aid than formerly and financial aid in larger amounts. Twenty percent indicated that they have a larger number of financially poorer students; 16 percent indicated that they have a larger number of wealthier students. An institution could in fact report both phenomena.

I think this is cause for considerable concern. What appears to be happening is the creation of two elites on these campuses; the one an economically, academically, and socially enfranchised elite and the other the inverse of that. The middle group is becoming increasingly less evident on the campuses of these private colleges and universities.

Mr. QUIE. Is the basic reason for the increase that the institution has to provide the fund and the federally assisted students then cause them to increase enrollment, or is the total package causing them to increase tuition?

Mr. JELLEMA. The total package is causing them to increase tuition. That is, tuition covers other kinds of rising costs of the institution as well but student aid is a significant factor in that rising cost.

Mr. QUIE. So if they were not trying to secure those low-income students, they would not have as much of a problem with the middle-income students?

Mr. JELLEMA. If they had no students to whom they had to supply scholarship benefits because they took only wealthier students or because some agency provided that aid, their financial picture would be materially improved.

Mr. JELLEMA. I note in passing that we have been talking about direct student aid and that there is a very material indirect student aid; that is, the difference between what the student is asked to pay through tuition and the amount that it actually costs the institution to give him that education. Typically the income from tuition and fees is running about 40 percent of current fund expenditures.

The final section of the report asked, "But how bad is it?" This is the section that begins on page 21. A chart in the middle of the page indicates that the total deficit reported by institutions that were in fact reporting deficits was $36 million in 1967–68, $57 million the following year, a projected $86 million in 1969–70, and $87 million in 1970–71. The chart also indicates how many institutions are reporting or expecting deficits and what that figure when extrapolated to all of private higher education is likely to be.

Mr. THOMPSON. How many institutions were queried all together?

Mr. JELLEMA. 762 institutions are involved; we sent questionnaires to all but 29 of them.

Mr. THOMPSON. And you had an amazingly high 75 percent response?

Mr. JELLEMA. Yes.

Mr. THOMPSON. Nearly 500 responded?

Mr. JELLEMA. We had actually 554 usable responses at the time that we issued this report.

Mr. THOMPSON. Then 362 of those reported a deficit?

Mr. JELLEMA. The extrapolated figures on the lower line are what we believe the figure would be for the 762 institutions if the nonrespondents were like the respondents in this regard. Thus we estimate that 425 are running some kind of a deficit this year, 1969–70.

Let me hurry over to page 27 which shows institutions by median, first, and third quartiles. I call your attention especially to the chart on the upper left hand side of page 27.

The graph on page 27 labeled "Current Fund Surplus or Deficit for Institutions Enrolling 1001–2000, Showing Median, First and Third Quartiles, for 4-Year Period by Surplus and Deficit Ranges" happens to be, coincidentally, a graph that would represent all private colleges and universities together.

What this graph indicates is that in the year 1967–68 one-quarter of the institutions were running surpluses in their current fund account between $50,000 and $100,000 or more. One-quarter of the institutions were running deficits in the amount of $25,000 to $50,000 or more. The following year, the quartile running deficits worsens its deficit position. The quartile running surpluses declines in the amount of that surplus so that by 1969–70 it is running a surplus of $25,000 or less. The median institution drops into the deficit column for 1969–70 and projects a zero balance for 1970–71.

The other four graphs relate to other enrollment categories. By and large, as you can see from a cursory glance, the lines are declining in all cases. The upper quartile moves down, the median institutions moves down, and the quartile of institutions running deficits declines into deeper deficits.

Private higher education, to reiterate, however, is not a collective whole. For institutions running deficits, the financial situation runs from serious to critical as the table on page 28 suggests. As early as 1967–68 the quartile of institutions running the most severe deficits were running a deficit of 5.8 percent or more of their current fund expenditures. In 1968–69, a deficit that was 6.6 percent or more of their current fund expenditures and the following year 7.6 percent or more of their current fund expenditures and, in projected 1970–71, 7.4 percent or more.

Mr. **Thompson.** What is the basis for that two-tenths of one percent decline?

Mr. **Jellema.** A combination of optimism regarding improved sources of income—gifts and grants, State programs, Federal programs—

Mr. **Thompson.** Stock market recovery and so on?

Mr. **Jellema.** Yes, and more money from tuition and fees—all coupled with the expectation of reduced expenditures—cutting back programs here, cutting off programs there. These two together prompt a slightly improved forecast.

We concluded our preliminary report by saying private colleges and universities are apprehensive, and that they have reason to be. Most colleges in the red are staying in the red and many are getting redder while colleges in the black generally are growing grayer. If the projected deficits actually are as low as projected, it will be because some very high hopes have been realized on the income side and because many programs have been reduced or eliminated on the expenditure side.

Taken collectively these institutions will not long be able to serve higher education and the Nation with strength unless significant aid is soon forthcoming.

(The written report follows:)

"THE RED AND THE BLACK"

Special Preliminary Report

on the
FINANCIAL STATUS, PRESENT AND PROJECTED,
OF
PRIVATE INSTITUTIONS OF HIGHER LEARNING

by

William W. Jellema
Executive Associate and Research Director
Association of American Colleges

Representative Nature of This Study

This study was undertaken to assemble up-to-date hard financial data on all accredited private higher education, and to analyze and evaluate these in order to present a solidly based description of the current situation. The annual Higher Education General Information Survey Report of the U.S. Office of Education is comprehensive; but it is not confined to private higher education, does not include all the data we thought it important to assemble, is not analyzed to the extent we thought desirable (and which the inclusion of additional data permits), does not deal in projections, and is not up-to-date enough for analysis of the immediate situation.

Other studies of the financial status of higher education are up-to-date but neither sufficiently based upon hard financial data nor sufficiently comprehensive in the population studied to justify any but the most tenuous of conclusions about the condition of private higher education as a whole. Very little can be safely said about all of higher education on the strength of an analysis of a few institutions if it is not firmly bolted both to reliable hard data and to a statistically secure sample. Some of the studies of institutions in a single state, for instance, may turn out to be accurate microcosmic representations of the whole; but we have no way of knowing.

What we sought, therefore, was to survey, through hard data, the financial status of *all* private, four-year, accredited institutions of higher learning. We did this through a questionnaire sent to all but 29 of such colleges and universities in the nation—as well as to a few American-accredited institutions located out of the country.

The response to the questionnaire, especially in view of its thoroughness and complexity, was, astonishingly, in excess of 75 percent! This is a tribute to the questionnaire itself which looked as though it was asking the right questions; to the confidence of member institutions in their Association; and to the acuteness of the private sector's concern for its financial problems. For some of the data, notably data on current fund income and expenditures, the usable response rate at the time of this report is slightly over 73 percent—a very healthy basis for making statements about all of private higher education.

Even so, one may wonder how the non-respondents (including the handful not invited to participate in the study in the first place) compare with the ones that responded with completed copies of the questionnaire.

Starting with the 29 institutions that were not sent the questionnaire, they are, so far as we can judge, the *only* private colleges and universities that met the criteria for the study but were not members of the Association of American Colleges. Since we were about to ask colleges and universities to invest a substantial amount of time in providing data normally regarded as highly confidential, and since we were unable to determine on the face of things that the non-member institutions were different in any material way from member institutions, we did not send the questionnaire to non-members. We reasoned that while we had some claim to the attention of our own members we could not make the same prima facie case for the attention of non-members.

If we add together the non-members (29) and the members that were invited to participate but failed to return a complete questionnaire in time to be included in the study (179) and make some comparisons with responding institutions (554) in several ways readily available to us, the following results emerge.

Adding responding and non-responding institutions together in order to arrive at a distribution of all accredited four-year private colleges and universities by various demographic characteristics, and then comparing the percentage our responding institutions make on the same analysis, we find a virtual match in every instance, as the following tables indicate.

On geographical distribution, for example, the furthest deviation is found in the west north central region. As a whole, this region contains twelve percent of all private colleges and universities, but fifteen percent of our responding institutions. The group of institutions included in this study, therefore, tends to be slightly over-representative of institutions in the upper west midwest.

Our comparisons on the basis of enrollment ranges and degree levels bear out the same picture, namely, that our responding institutions are highly representative of all private institutions in the country.

The population of institutions included in our study is classified by five enrollment range levels: 500 and below, 501–1000, 1001–2000, 2001–4000, and 4001 up. The percentage figures for the national totals and for the responding institutions in our study are equal for two of the five categories and one or two percent apart for each of the other categories. Our respondents tend to be a hair light in representing institutions enrolling 500 or less and a shade heavy in representing institutions enrolling between one and two thousand students.

Of all private four-year and above accredited colleges and universities, those whose highest offering is a four or five year baccalaureate degree comprise 61 percent of that total population and 61 percent of our responding population. Those offering a masters degree but not higher comprise 27 percent of the total population and 28 percent of ours. Those offering the doctorate are 12 percent of the whole and 11 percent of ours.

We were able to make a similar analysis on the basis of denominational affiliation or lack thereof. Here again the ratio each group bears to the total of our responding institutions is nearly identical to the proportion of all institutions of that type to the total of all private institutions in the nation. Roman Catholic institutions, for example, comprise 28 percent of all private colleges and universities in the nation and 29 percent of the institutions responding to our study. Methodist-related institutions are 11 percent of the national total and 11 percent of our responding institutions. Our study slightly underrepresents the independent colleges and universities. They comprise 31 percent of the national total and make up a slightly smaller 29 percent of our responding group.

On the basis of these demographic comparisons, the institutions in our study appear representative of all private institutions of higher learning. We believe, therefore, that the data on our institutions provide a reasonably stable basis for reliable estimates of comparable values for the total population. No other contemporary study is so soundly based.

Comparative analyses of the distribution of all accredited four-year private colleges and universities in the nation and of respondents to this study by various demographic characteristics.

GEOGRAPHICAL DISTRIBUTION

Region	Percent of All Private Institutions	Percent of Institutions in This Study
Pacific	8.	7.
Mountain	2.	2.
West South Central	6.	5.
East South Central	8.	7.
West North Central	12.	15.
East North Central	19.	21.
South Atlantic	15.	15.
Mid Atlantic	20.	20.
New England	10.	9.
	100.	101. *

ENROLLMENT RANGE DISTRIBUTION

Enrollment Range	Percent of All Private Institutions	Percent of Institutions in This Study
500 and below	8.	6.
501 – 1000	34.	34.
1001 – 2000	36.	38.
2001 – 4000	11.	12.
4001 and up	11.	11.
	100.	101. *

DEGREE LEVEL DISTRIBUTION

Degree Level	Percent of All Private Institutions	Percent of Institutions in This Study
4 or 5 year baccalaureate	61.	61.
Masters Degree	27.	28.
Doctorate	12.	11.
	100.	100.

*Percent may be more than 100 because of rounding.

1968 As A Base Year

Although some of the data we collected in this study go back to 1965, the earliest income and expenditure data start with fiscal year 1967-68. It was inevitable, therefore, that 67-68 would begin to take on some of the characteristics of a "base year." There is no occult reason for this choice. We wanted our study to be a current one and we wanted to study many fiscal facets of the present. We went back to 1967-68 in order to have two years of past data which we could compare with two years of projected data. Most institutions, we reasoned, could readily supply us with data as recent as this, while more years of data as complete as we were requesting would be more than we could meaningfully use.

Since we are using 1967-68 as a base year, however, it may be useful to say something about what kind of a year it was as a base for a study of this nature.

We were told, in a report of Committee Z of the AAUP for 1968, that faculty salaries, for example, had risen an average of $4600 since 1956. In further evidence supplied by Professor Baumol of Princeton, we were told that real expenditures per student increased 65 percent in private institutions of higher learning during the course of the decade which ended with fiscal 1968. That amount is calculated in constant dollars, taking no account of inflation. Moreover, for the benefit of those who think that the cause of this increase can be laid at the door of research, Baumol noted that even exclusive of research the cost per student had risen fifty percent.

If the trend continued uncorrected, he prophesied, the cost per student in current dollars could rise in forty years to sixteen times the present (1968) level, and *total* expenditures (not per student) in constant dollars would rise in forty years to 65 times the 1968 level.

A study conducted in the state of Texas in that year indicated that if the short trend uncovered in that study were to continue, by 1985, in constant 1968 dollars, the cost per student in major independent universities in the state of Texas would be $36,859 and the cost per student in senior colleges in the state would be $17,074. If the percentage covered by tuition were the same in 1985 as in 1968 the student at a private university would be asked to pay over seventeen thousand ($17,324) dollars per year and the student at a senior college would be confronted by a tuition charge of just under ten thousand ($9,695) dollars.

It was in 1968 that a friend sent me an excerpt from the annual report of a college president that read: "During all the years of its development as a church related university, ____________ has experienced a great frequency of financial crises. Only the Almighty's repeated answering of the sustained prayers raised by the school's courageous Board and Administration has prevented many potential catastrophes from occurring." Then, with unconscious irony which italicizes the fact that the financial crisis which was visible at least by 1968 was no common one, the president's report continued: "Now, however, the seriousness of the commitments necessary to implement the University's ambitious program requires that the needed degree and continuity of support be more clearly defined and more definitely assured." "Obviously," my informant commented, "things are in one hell of a mess!"

This, then, was the way the situation looked in 1968–the "base"year, and by far the best financial year, in our study. From that point, our data show, a bad situation deteriorated rapidly. As Pogo might have said, looking at the following three years of financial data from the standpoint of 1968, "From here on down, it's all up hill."

In the years since, costs have continued to rise. Instruction costs are higher with no increase in productivity; building costs are higher; maintenance costs are higher; security costs are higher; students and their parents are demanding "wall-to-wall" services; while inflation has continued to blur any kind of financial datum line.

Looking at net surplus or deficit for the current operating fund, in 1968 the "average" institution, a gross statistical amalgam derived by dividing the total net surplus or deficit figure for all institutions in our study by the number of institutions, finished its fiscal year with a surplus. One year later it finished its fiscal year with a *deficit*—which it more than *quintupled* one year later still, the fiscal year ending (for most institutions) June 30, 1970.

Looking at the "average" institution in each of the nine geographical regions, however, a somewhat different picture emerges. The break between 1968 and 1969 does not appear as sharp. In some regions the "average" institution was already running a deficit in 1968; in other regions the decline into deficits was delayed for the "average" institution until 1970.

Specifically, in six regions the "average" institution was showing a surplus when it ended its fiscal year in June 1968. In three regions, geographically separated from one another, the "average" institution ended that year with a deficit. One year later, the "average" institution in three more regions finished the year with a deficit, and by the end of the fiscal year most recently ended the "average" institution in the remaining three regions ended with a deficit. By June 1970 membership in the deficit club was complete: the average institution in every region was firmly in the red.

If we take a different vantage point to examine the trend, a similar picture emerges. Statistically summarized and arranged in five degree level categories, the financial condition of all private colleges and universities from 1967-68 through 1968-69 and 1969-70, has steadily worsened. By 1968-69, private colleges and universities in every degree level category but one, taken as a statistical average, were showing a deficit. Not a contrived "deficit," not an indirect student aid "deficit" (which all private institutions have been running for years), not the kind of "deficit" administrators sometimes submit to their boards to stimulate giving, not the "deficit" sometimes reported before annual gift money or contributed services provided by a religious order are included as income, but *an actual current fund deficit:* akin to the kind you and I have when our total actual expenditures are larger than our total actual incomes.

Some individual institutions in each of these categories, of course, were running deficits in 1967-68 and even earlier; some institutions in each category continued to run surpluses in 1968-69; but the average institution in each of the five categories finished in the black in 1967-68 and, in every category but one, finished in the red in 1968-69, one year later.

So much for the good news.

Financial Projections

One end of our four years of data is fixed to the year 1968. The other is pinned to 1970-71, a year whose fiscal fortune is not yet fact. These projected data are, perforce, spongy and uneven. Even the data for the year 1969-70 were, for most of the institutions in our study, a projection. The data for this year do not have the same kind of reliability as data for the first two years.

The making of projections is a spooky enterprise. There is, however, a certain earthy reliability about a summation of predictions made at the local level. Word from the admissions office; worries from the development office; intimations of still higher costs; speculation about the amount of tuition increase the local constituency will bear; rumors of the establishment or further development of a local junior college; grim decisions of where to cut back, in what order and when—all compounded by hopes and fears concerning the national economy—affect these predictions. What you may lose in lack of sophisticated understanding of how national movements will affect the future of private higher education may be more than compensated for by the intimate awareness of local effects.

Some institutions, a few spot checks indicate, overestimated the deficit they would incur in the fiscal year recently completed. Others, perhaps a larger number, underestimated. For the current year, an even larger number appear to have underestimated the deficits they will incur. Hope, a little inebriated by unwarranted optimism, seems to outrun despair in projecting future income. For example, some institutions that show a stable or even declining amount of gifts and grants for the three years beginning in 1967-68 suddenly project an astonishing increase in unrestricted gifts. Perhaps they know of something the reviewer of questionnaires does not: perhaps a highly favorable will is expected to be probated in that year. To one not privy to such inside information it looks more like a desperate fiction invented to project a balanced budget.

Similar unrestrained enthusiasm is sometimes seen in the projection of tuition and fees. The 1970-71 budget for some colleges, if not balanced, at least appears less tinted with scarlet because of a sudden increase in income received from tuition and fees. Since it is both probable that tuition has already been steadily rising and unlikely that some sharp increase in tuition charges is what is being contemplated, it must be that the college expects to have *more students* paying a slightly higher tuition.

A check of the figures on enrollment confirms this. An institution which has been experiencing a decline in applications and enrollment—sharp, graduated or uneven—may project a sudden increase in its freshman enrollment by some very large amount. For a given institution this is possible—improbable but possible. By dint of heroic effort, some institutions may turn my lack of confidence on its ear.

But not nationally. There are simply not enough students available of the academic quality that these colleges and universities have traditionally admitted to make such optimistic projections come true. While individual institutions may with justice be exhorted to work harder on student recruitment, it is both unreasonable and irresponsible to look at the total national scene and say; "If those colleges would just get off their duffs and go looking for students, they could eliminate their deficits." It simply is not so.

Financial projection patterns, however, are by no means identical, as the following comparison of two groups of institutions approximately equal in number will indicate.

Institutions that ran a relatively small deficit in 1968-69 (less than $25,000)—of which there were approximately fifty in the nation as a whole—had, typically, run a surplus the year before and projected a deficit for 1969-70 nearly nine times larger than the deficit they ran in 1968-69. For 1970-71 they projected a deficit only two thirds the size of the previous year. To call this an improvement in their financial condition is a little like calling a rise in temperature from ninety degrees below zero to sixty degrees below zero a "warming trend." Yet it is instructive to notice the basis for this relatively milder financial climate.

Almost all *expenditure items* in Educational and General, as well as Student Aid and Auxiliary Enterprises, are projected by these institutions to *continue to rise* in 1970-71 at about the same progression as earlier. The "warming trend" difference must be therefore in income. But not in all income areas. These institutions project actual declines in income for some items and hope for no dramatic increases in any other areas save two: tuition income and gift and grant income. They project a rise in unrestricted gift and grant income of 25 percent for 1970-71 even though their income from this source had declined the previous year by nearly six percent!

Tuition and fee income, looking at the figures themselves, is not quite as dramatic. Income from this source is projected to increase in 1970-71 over the previous year by twelve percent, as that year had increased over the previous year by eleven percent and that year in turn had shown an increase over 1967-68 by twelve percent. What is dramatic is not the nearly forty percent increase in tuition income in 1970-71 over 1967-68, but the expectation of a continuing significant rise in tuition in view of the evidence of a declining pool of applicants for admission.

However, the institutions do not expect even these increases in income to redeem them from a deficit posture, but merely to introduce a warming breeze into their Antarctica of deficits.

By comparison, the approximately fifty institutions in the nation that in 1968-69 ran a larger deficit—between $100,000 and $150,000 as opposed to the institutions described above which ran a deficit less than $25,000—project a similar trend line (that is, a deficit the following year nearly eight times larger followed by a projected improvement in 1970-71 which cuts the 1969-70 deficit in less than half) but for quite different reasons.

Not a single income category is projected by this latter group of institutions to improve in 1970-71 over 1969-70. The reason for the milder deficit lies, in this case, in *reduced expenditures.* In every single current fund expenditure item, these institutions expect to spend less than the year before. Enough less, in fact, so that, even though they also project a declining income, they expect to incur a lesser deficit. But still a deficit.

We are not far enough along in our analysis of these data to be sure of the reasons for these contrasting approaches to an improved financial position in the future or to evaluate the justification for them. At this stage it appears that the latter group—those institutions with the larger deficit that expect to improve their financial position by reducing expenditures—is more realistic than the former group—those institutions with a smaller deficit that expect improvement by a marked rise in income. Perhaps the larger deficit has a more sobering effect on future planning.

'Surplus' and 'Deficit' in Higher Education

This special preliminary report on the financial status of private institutions of higher learning refers to 'surpluses' and 'deficits,' to 'unappropriated surplus,' 'other reserves' and 'funds functioning as endowment.' Since private higher education is frequently enough dealt with in terms that suggest something faintly venal and unscrupulous about the high and ever-rising tuition such institutions charge, it may be that some casual readers of this report will raise their eyebrows at the very notion of 'surpluses' in a supposedly non-profit institution. They may see no harm in trimming down an institution's "unappropriated surplus"–believing intuitively that a non-profit institution should run a breakeven annual budget. A word of explanation may be in order.

There are *no stockholders* of accredited private institutions of higher learning to gather annually in person or by proxy to decide how to distribute the profits of their enterprise. If the economy is beneficent, the administration is efficient, and the public is supportive, there often are, however, surplus funds at the end of the year.

A surplus at the end of a year's operation is an important source of growth capital, which a college or university cannot count on getting, except by a special act of external benevolence, from other sources. It means that the institution can do the innovative and imaginative things the public has come to expect of it and which it does well. It can launch a new venture or strengthen one already begun. It can increase the amount of aid it can offer students in need. It can avoid an increase in tuition or, to meet constantly rising costs, make that increase a modest one.

All of these things a college cannot do if it runs a deficit or merely breaks even. An institution barely afloat, with water nearly over the gunwales, has lost much of its maneuverability, its adventurousness and freedom of experimentation. Its innovation and risk taking is confined to putting to sea each academic year. Most ominously, it has no protection against storms. A little student unrest, a little decline in enrollment, a little disenchantment among donors and the ship may founder. The first thing it does in troubled financial seas is jettison cargo.

Institutional Responses to Deficits

We asked the colleges that reported a deficit in 1967-68 what they did to meet that deficit. The most popular responses were: "borrow–other (including from current funds)" and "transfer from unappropriated surplus." These choices were conditioned, of course, by the availability of loan money and the rate at which it was available, as well as by the presence or absence of unappropriated surplus. An institution with no unappropriated surplus did not have the option of using it to cover its deficit, even as an institution without credit standing could not borrow. Both types seem to exist. As responses elsewhere in this questionnaire demonstrate, there are a large number of institutions without any "unappropriated surplus," and one hears rumors that there are others unable to borrow money.

To the option "borrow–other" we specifically added the words "including from current funds" because the pilot run of the questionnaire uncovered a curious maneuver. Curious, not meaning suspect in a business sense; but curious in an accounting sense.

We encountered an institution which reported a deficit but which chose *none* of the options from our supposedly inclusive list to explain what it was doing about it. (At that time the option read, simply, "borrow–other" to distinguish it from "borrow–from endowment.") When we called upon the institution to explain, the chief business officer said simply, "I'm not doing anything about it. I'm simply covering it with the flow of money." What he meant was that he was covering a current (or past) deficit by using the advance payment of monies (tuition) paid for services yet to be rendered.

Two or three things need to be said about this maneuver. The first is that this is not an unfamiliar practice in business. The cash flow is not infrequently or inappropriately used to cover an operating deficit. This is a cost-free way to handle a short-term liquidity problem.

It is, however, an act of borrowing and should be so noted in order to present an accurate picture of the financial state of the institution. It is, in fact, a borrowing from current funds. Moreover, it is a little like putting a larger fuse in the fuse box if smaller sizes keep getting blown: it masks the fact that there is a problem which needs correction before it becomes a bigger problem, and thus it eliminates an early danger signal. Cash flow does have some elasticity and can be used to stretch a bridge across a temporary chasm; but it is not infinitely elastic and it must reach the limit of its elasticity if the ravine continues to widen. It is dangerous to believe that one need do "nothing" about a deficit.

There is no guarantee, of course, that simply adding the words "including from current funds" to our option made this point clear to other institutions engaged in the same operation. Indeed, there is some evidence to suggest that it did not do so in every case.

Part of that evidence may be contained in further responses to this same question. The third most frequent answer to the question "How did you meet your deficit?" was "raise tuition." This may or may not be an accurate perception of the question. Since the respondents were not limited to a single answer and the responses are not additive, it may be that these colleges are saying that, in addition to taking some immediate action such as borrowing, they raised tuition as a means of paying back that loan, and, perhaps, of avoiding a deficit the following year. It may also be true that some of those checking this option are saying that they were able to receive a loan on the basis of the expected income to be created by the tuition increase.

But in those few cases where a deficit was recorded and the *only* option checked was "raise tuition," one is entitled to the strong suspicion that the "No action necessary, I am covering with cash flow" gambit outlined above is being employed.

Virtually the same things are true about several other options including the next most popular for 1967-68: "increase fund raising activities." Here, of course, there is less likelihood than in the case of tuition that any institution secured a loan on the basis of the promise of increased activities in this area. When an institution selected this option to describe its response to a deficit, it may have been describing a secondary decision about what it planned to do in the future rather than submitting an accurate answer about how it actually met a deficit. Again, in those few cases where a deficit was recorded and this was the *only* option checked, something slipped either in a conceptual or in an accounting sense.

In order of frequency the other options were:

Defer maintenance
Retrench expenditures
Transfer from other reserves
Borrow–from endowment
Spend principal of funds functioning as endowment
Cut back on depreciation allowance
Spend appreciation on endowment funds

A different picture appears when one examines tabulated responses to the question, "If you did not report a deficit, did you *avoid* a deficit by action in any of (these) areas. . .?" An institution that can project an anticipated deficit far enough in advance has somewhat broader options than has the institution taken by surprise.

Not unexpectedly, and legitimately (in the sense of being accurate both in a conceptual and in an accounting sense), "raise tuition" is the leading answer to this question. Nearly twice as many respondents indicated that they raised tuition as indicated choosing any other option. Tuition and fee increases, although turned to reluctantly by private colleges and universities, have been the most flexible and immediate source of increased income.

Favored Types of Federal Aid

The essence of avoiding deficits is either to reduce expenditures or seek additional income. The latter is by far the preferred alternative. One of the major prospective sources of new and additional revenue is the federal government. One of our questions, therefore, invited the president to indicate the type or types of federal aid he favored as part of a balanced program. He had three basic options. He could indicate which ones he preferred; he could indicate which ones he found acceptable even if he did not prefer them; or he could indicate that certain types were unacceptable to him. In addition, of course, he could indicate that he preferred no form of federal aid—though in fact nobody did so. For other options the president could identify some form of federal aid other than the eleven basic types we had listed—and 61 presidents did so, coming up with an interesting and often imaginative array of other options, although the most popular were those which phrased more clearly for the respondent one of our options or suggested a variant form or combination of them. He could, finally, simply by-pass a decision on any one or all of the types we presented to him.

The type of federal aid which was most often checked as "preferred" was "facilities grants directly to institutions." This was an option familiar to most respondents. They have tried it. They like it. They want more of it. This was, in the most precise sense of the word, a conservative choice.

The type of federal aid which received the next highest number of "preferred" notations was "institutional grants directly to institutions." This was not a conservative choice in the sense of being based upon experience with *federal* aid. It bears, however, an apparent resemblance to other monies that come to an institution to be used at its discretion and doubtless *seemed* a conservative choice. This was not intended to be a trick question, and the response should be interpreted as being a simple and straightforward endorsement of a form of aid which appears unentangling. The question was not sufficiently refined to reveal, however, what kind of formula for the assignment of this kind of aid would be acceptable or (and this applies with equal force to many other options) what kinds of "strings" (if any) would make federal aid in this form acceptable and what kinds would make it unwelcome.

The next most frequently "preferred"choice was "grants directly to students." This is, again, a type of federal aid with which colleges and universities have had a lot of experience. Most of that experience, to judge by this response, has been good. Aid has been too little, and it has been too inconstant, but it has demonstrated its value and is a popular choice.

"Facilities loans," as distinct from facilities *grants,* "directly to institutions" was identified fourth most often as a "preferred" choice.

The type of federal aid fifth most frequently identified as "preferred" was a "federally supported student loan bank." This is not a conservative choice in the sense of being based on experience. It is an idea which has been developing fresh currency as the Carnegie Commission on Higher Education and many individual economists have endorsed some form of this type of aid as part of a balanced program of federal aid. It would, in essence, make available at low interest federally guaranteed loan funds that could be borrowed by individual students to cover their educational costs (including but not limited to tuition) and repaid by them at a rate proportionate to later income.

In sixth place on the preferred list was the category "other loans directly to students."

Seventh most frequently identified as "preferred," and only two "votes" out of sixth place, was a proposal which has been around a long time. This is "income tax credit for student expenditures." Many of its proponents are very clear and sometimes single-minded in their espousal of this form of aid. It has, however, a small group of opponents who may feel that not enough is known of its economic effects.

The next two choices tied for eighth place: "interest subsidy" and "categorical grants to institutions for research and programs." In tenth place was "grants to the states for distribution to institutions"; and, eleventh, "grants to the states for distribution to students."

When "preferred" and "acceptable" are added together, however, some interesting things happen.

"*Facilities grants* directly to institutions" remains *in first place*, being identified 516 times (out of 549) as either "preferred" or "acceptable." Immediately behind it, however, run *five other options, separated from one another by a total spread of only eleven "votes."* These are "other loans directly to students" (505), "federally supported student loan bank" (504); "facilities loans directly to institutions" (499); "institutional grants directly to institutions" (498), and, at 494, "grants directly to students." This may suggest that private institutions are so desperate for federal aid that virtually any form could be at least acceptable even if some forms of it appear preferable. One respondent may have been speaking for others when he added: "Anything to obtain more funds would at least be acceptable."

Even in a quick overview at least two other observations are striking. When "acceptable" is added to "preferred," "other loans directly to students" moves from sixth to second place and "federally supported student loan bank" moves from fifth to third. This suggests that many institutions view *student loans* as a *highly acceptable* kind of federal aid although it may not give the institution the same freedom (and hence is not as "preferred") as some forms of aid to the institution itself.

The other observation of note is that "income tax credit for student expenditures" slips from seventh to ninth, falling behind even "categorical grants to institutions for research and programs" and "interest subsidy." Put another way, although it still has a creditable "score" of "preferred" and "acceptable," it has its opponents who label it "unacceptable."

Least acceptable, with, in addition, a large number of respondents who indicate that they would find aid in these forms unacceptable, are grants that come either to students or to institutions by way of the states. Statewide coordinating boards, who might be expected to take another view of this, were not included in the survey.

Agreement among sizes and types of institutions appears remarkably high with a few exceptions which are not unexpected. Institutions whose highest offering is the four or five year baccalaureate do not believe that "categorical grants" deserves seventh place on the combined "preferred" and "acceptable" register. Their ratings would locate it in ninth place. Institutions offering the Ph.D. or equivalent in four or more areas, whose experience with this kind of aid has been quite different from that of baccalaureate institutions, are even more unhappy with its rating. They would put it in second place, only one "vote" behind their first choice.

A brief look at a few specific financial aspects of private colleges and universities may help illuminate their current financial status. The aspects included in this preliminary report are indebtedness on physical plant, student aid, borrowing from endowment, and, an income item of special interest to many of the church-related institutions, comparative amounts of church support.

Indebtedness on Physical Plant

Taken collectively, private colleges and universities are in debt for over a quarter (26 percent) of the book value of their physical plants. In dollars (extrapolating from the institutions in our study to all private institutions) this amounts to just under three billion dollars of indebtedness on physical plant, an average of $3,815,000 per institution. Over half (52 percent) of this indebtedness is to the federal government. Slightly under one-eighth (12 percent) of the indebtedness of institutions is to themselves: they have borrowed from their own endowment funds and from their own current funds. Over a quarter of their indebtedness on physical plant is to private sources of funding (26 percent), nearly ten percent (9.7 percent) to state government, and a minuscule fraction (.12 percent) to local government.

How one interprets these figures–the amount of indebtedness and to whom owed–will depend in part on how one views the economic future of these debtors and the degrees of beneficence with which one believes their creditors will act in the event of a declining or failing return on their investment.

Two of the more interesting creditors are the federal government and the institution itself. An authoritative view of the federal government's attitude in the face of a default on payment is not known to me.

Not that many institutions foresee themselves defaulting on federal loans. Only two colleges acknowledged the fear that they may be forced to miss a payment sometime in the next two years. One or two others confessed to the fear orally to my editor but did not so report on the questionnaire.

I have heard of the president of a small private college whose almost fantastic building program in recent years has placed the institution in debt on its physical plant for two-thirds of its value and who firmly believes that one day the federal government will forgive all of these outstanding loans. Happily, he has since retired and the institution recently hired another president.

The indebtedness to other institutional funds is also interesting. The institution borrows from itself for the same reasons you and I may pay cash for a purchase rather than buy it on time: we find that we can lend ourselves the money at a cheaper rate than we can borrow it elsewhere.

While an institution that uses money it could otherwise invest at, say, five percent to save borrowing at eight percent nets a clear gain in the transaction, it has engaged in some incestuous financing that could have very serious implications in the event of further curtailment of income. Being a bad debtor to oneself means that one has already drawn on reserves to which one might turn in a reversal and has no one to sue for recovery. Moreover, the borrowed funds–on which interest is seldom paid–are sterilized as an investment. This is important in computing the strength of the institution's endowment. One might assume a growth rate and income earning rate that would improve the endowment and its ability to be used for program functions; but not if it is committed to a non-interest or niggardly-interest loan. The old saw about the man who serves as his own legal advisor having a fool for a client and a dunce for a lawyer may apply with milder force to the institution that borrows from itself too heavily.

The picture of relative indebtedness is not the same for all institutions and for all parts of the country. The ratio between total indebtedness on physical plant and the book value of the physical plant ranges in different regions from 19 percent in New England to 33 percent in the western mountain region. It ranges from a low of about twenty percent for universities offering the Ph.D. in more than four areas to approximately thirty percent for baccalaureate institutions and for institutions offering a masters degree in no more than three areas. In general, the higher the level of degree offering, the lower the ratio of indebtedness on physical plant to book value.

Among denominational groups it varies all the way from 21 percent to 45 percent. Independent (non-church-related) institutions at 25 percent have a lower ratio of total indebtedness on physical plant to book value of physical plant than most church-related institutions, although the institutions related to the Roman Catholic Church, the largest denominational group of church-related institutions, have a lower ratio still: 24 percent.

The extent to which denominational groups have turned to the federal government for loans on their physical plant is also especially interesting. The breadth of that range is most tellingly illustrated by the experience of three denominations: the Seventh Day Adventist, the Mennonite, and the United Church of Christ. These three have in common the fact that the ratio of indebtedness on their physical plants to the book value of those plants is, for each of them, 37 and a fraction percent (37.25 percent, 37.56 percent, and 37.63 percent, respectively). The percentage of that indebtedness that is owed to the federal government is, however, quite different. For Seventh Day Adventists it is zero percent; for the Mennonites it is 28 percent; and for the United Church of Christ it is 74 percent.

The denominationally related group of colleges with the highest indebtedness to book value ratio is the Nazarene Church group with 45 percent. The denominational group with the lowest ratio is the Southern Baptist Church colleges group at 21 percent. The percentage of that indebtedness owed to the federal government, however, is 69 percent for both the Nazarene colleges and the Southern Baptist colleges.

Student Aid, Direct and Indirect

The amount of money expended on Student Aid in 1967-68 in private colleges and universities of the nation taken as a whole was equal to over nine percent of Educational and General expenditures; and slightly over seven percent of the total Current Fund expenditures budget. It was equal to one fourth of the total amount spent on Instruction and Departmental Research; it was larger than the amount spent on physical plant operation and maintenance; it was nearly two and one-half times the amount spent on libraries.

In the three years following 1967-68, student aid expenditures take very slightly larger bites of the total Current Fund expenditures, grow at a slightly larger rate than Educational and General, and pick up an additional five percent on the amount spent on libraries. The amount spent on Instruction and Departmental Research, however, increases as fast or faster than the amount spent on Student Aid.

These two paragraphs set the stage for making three points. The first is that a very large amount of money, an increasing amount of money, is being spent on direct student aid. This is a considerable burden on private higher education and a very important factor in its deficit condition. (See graph on p. 17.)

The second point is that private higher education is caught in an ever widening and more vicious cycle. As it moves to demonstrate its social concern by extending scholarship money to those unable to pay even the costs of education assigned to them through tuition, it must find revenue to pay for these Student Aid expenditures. Typically it has done this, in large part, by raising tuition. In doing so, however, it puts the full tuition charge to the student out of reach for another group of students, who now require subsidy for the difference between last year's cost and this year's. This, in turn, requires further tuition increases, creates still another group needing financial aid, increases the amount of aid needed by the groups previously identified, and so on.

The third point is that a certain amount of accounting artificiality is connected with student aid on the income side which results in large deficits in this category. A large deficit shows up in this account because the institution assigns little income to offset these expenditures. There is, to be sure, typically very little institutional income specifically related to student aid. But then, the same thing could be said about many items found under Educational and General expenditures. General Administration, Student Services, and General Institutional Expenses, for example, are not attached to Educational and General income by any inherent necessity. Theoretically, at least, one could put student aid in their place, run a bigger surplus in Education and General . . . and a bigger deficit in the new account created for General Administration, et al.

The way in which accountants package higher education accounts ought not be a barrier to the consideration of a variety of types of state and federal aid. It is apparent that aid that would reduce the institution's commitment to further subsidize its own students would be welcome and helpful. It is not the only form that aid can take, however, to be helpful to the total operation of the institution.

If a swimmer could carry a one hundred pound burden across a river but is given two bundles, one weighing ninety pounds and the other thirty, he will drown. It is idle to ask which bundle caused him to drown. It was the total weight that was too much for him. If it is easier to relieve him of one bundle than another, this ought to be done. If the contents of the bundles are to some extent interchangeable, however, there may be more than one way to relieve him sufficiently to enable him to make his way across.

One problem of growing magnitude for some institutions is the need to provide from their own funds support for students previously covered by funds from the federal government. Very few institutions were able to report at the time they completed the questionnaire that their own institutional support for student aid had been increased due to the need of providing for such students.

The number of institutions reporting that they must now replace with their own funds grant and loan money formerly supplied by the federal government, although small, is the product of a steady increase during the last four years. There has been an increase of over 390 percent in the number of institutions covering *loans* formerly provided by federal monies and an increase of over 300 percent in the number supplying *grant* money formerly covered by federal funds.

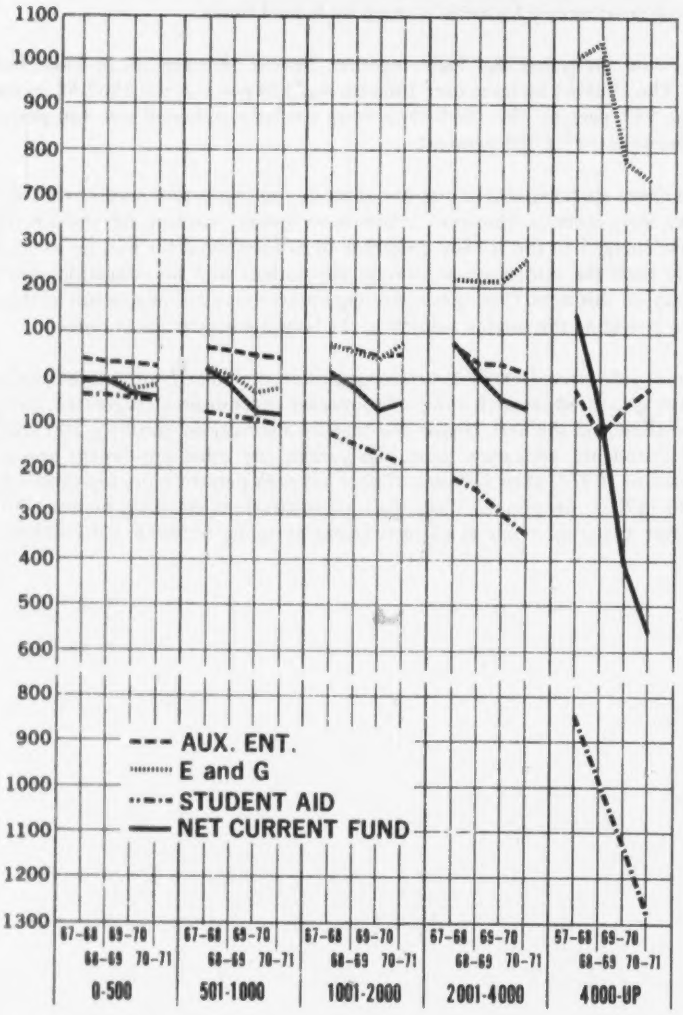
The *dollar increase* for grants and loans together, figured on a percentage basis, has risen even more dramatically. The 1966-67 increase over 1965-66 was 120 percent; the 1967-68 increase over the same base year was 267 percent; the 1968-69 increase similarly reckoned was 460 percent; and the 1969-70 increase was an alarming 904 percent!

In addition to *direct* student aid (the amount of money an institution makes available to students to help them defray *their* costs of education), there is an *indirect* student aid which is the difference between the amount charged to the student (whether or not defrayed for him by direct student aid) and what it actually costs the institution to provide the student with his education. Our final report will have more to say on this item. One or two striking observations on the amount of this aid and the kinds of institutions providing this hidden subsidy in the largest amounts are in order.

Indirect student aid, arrived at by subtracting tuition and fees from educational and general expenditures (except sponsored research and medical center expenditures), is greatest on a per student basis at the very smallest and the very largest institutions. Institutions enrolling 500 students or less are subsidizing their students' education more highly than any other enrollment group. At almost 1000 dollars per student ($977) their indirect student aid is 38 percent more than that of institutions enrolling over 4000 ($707), 66 percent more than of institutions enrolling between 501 and 1000 ($587) and well over twice as much as of institutions enrolling between 1001–2000 ($441) and 2001–4000 ($424).

This graph presents by enrollment groupings the net current fund surplus or deficit—data found in the chart on page 25—and the net surplus or deficit (in thousands) for each of the three current fund accounts: educational and general, student aid, and auxiliary enterprises. The burden of direct student aid is evident in the falling skyrocket effect of its plummeting net deficits.

CURRENT FUND FOUR YEAR PICTURE, BY THREE ACCOUNTS AND NET SURPLUS OR DEFICIT, (IN THOUSANDS) FOR THE "AVERAGE" INSTITUTION BY ENROLLMENT GROUPINGS



Borrowing from Endowment

One fourth of the institutions in our study—including institutions in every enrollment level and degree category—report that they have borrowed from unrestricted endowment *principal.* It is called "borrowing" instead of "spending"—which it is—because the institution hopes to pay it back.

Unrestricted endowment principal comes to an institution in one of two ways: either from a previous surplus or from a generous donor. Unlike "restricted" endowment principal, which cannot be spent, unrestricted endowment may legally be spent at the pleasure of the institution. Typically the college or university invests the unrestricted endowment funds, using the annual interest and, in some cases, the capital appreciation for educational purposes.

When an institution spends its unrestricted endowment principal it not only loses those funds, it also loses the dividend income and appreciation earned on those funds which it has been using for current operations. It must then find money to make up this loss both in the year in which it spends the principal and in the years that follow.

An institution may borrow from its unrestricted endowment principal for purposes that carry the institution a major step forward. If the borrowing is done simply to keep the institution operating, however, it is clearly a danger signal to the institution and to those concerned about the future of higher education. Borrowing to sustain current operations seems to be the reason for the bulk of the borrowing reported by institutions in our study.

Church Support

Church relationship, the best way to define this relationship, and the best ways to live with it have long been matters of ecclesiastical and academic debate for church-related colleges and their supporting denominational bodies. The questions have grown sharper in recent years for a variety of reasons. In at least one state, institutions that until recently proudly affirmed a church relationship are now claiming independent status. In some instances either affirmation could be made with little adjustment in the structure of the institution itself—such are the vagaries of definitions of church relationship.

For our purposes, however, church relationship was defined in financial terms: by church *support.* Hence, if an institution claimed to be independent but received church support, we overruled the self-designation and identified the institution with its denominational group if we knew its parentage. Some sixteen colleges escaped this effort for additional identification and thus present us with the apparent anomaly of being "independent" colleges with church support.

In addition to financial support that comes from some ecclesiastical body called "church," there is a very important financial contribution made by other religious bodies which is "contributed services." These contributions by religious orders—typically, but not exclusively Roman Catholic—are not "church" support in a narrow sense but they are a very important kind of contribution so closely akin to "church support" as to deserve to be treated with it.

There are also, of course, gifts from individual donors that spring from the donor's identification of the college or university as a church-related institution or one, at least, in which the donor's religiously related intent can be given expression. However, this category of income would be very difficult to define and would not carry us very far in this analysis. Even tax-supported institutions are often beneficiaries of such giving.

Previous analyses of the contributions of church bodies to their related colleges have been based upon information supplied by the denominations and reckoned in terms of total dollars, dollars per institution, and dollars per capita member of the denomination.

What we provide here is an analysis based upon data supplied by the colleges themselves, which can be seen in terms of total dollars, dollars per institution, and, most meaningful from the college's standpoint, a comparison of church support in terms of percentage of the college or university's current fund income and current fund expenditures.

Seventh Day Adventists support their colleges more handsomely than any other denominational body, providing over a million dollars a year, on the average, to each of their institutions. Not surprisingly, theirs is also the largest contribution in terms of support as a percentage of current fund expenditure. It is nearly twelve percent of the budget.

The second largest supporter in terms of average dollars per institution is the Southern Baptist denomination which supplies its institutions an average $282,000 per year. On the basis of support as a percentage of budget, second place belongs to the Church of the Nazarene which provides its colleges nearly ten percent of their current fund budgets.

As the following table indicates, five denominations average over $200,000 per year in support to their colleges and eight denominations provide over five percent of the current operating fund budgets of the colleges related to them.

CHURCH SUPPORT

Average Dollars Per Institution (in thousands)	Ranking in Terms of Dollars per Institution	Ranking in Terms of Church Support as a Percentage of Current Fund Expenditures*	Percent of Current Fund
$ 1179	Seventh Day Adventists	Seventh Day Adventists	11.8%
282	Southern Baptist	Church of the Nazarene	9.9
273**	Roman Catholic (without contributed services)	Southern Baptist	7.6
262	Lutheran Church in America	Roman Catholic	6.4**
238	Church of the Nazarene	Luthern Church in America	5.9
172	Reformed Church in America	Reformed Church in America	5.7
164	American Lutheran Church	Other	5.6
145	Other	Mennonite	5.0
127	Presbyterian, U.S.	Presbyterian, U.S.	3.8
108	Episcopal	American Lutheran Church	3.3
107	Disciples of Christ	Church of the Brethren	2.9
106	Methodist	Disciples of Christ	2.8
97	Mennonite	American Baptist Convention	2.6
94	Church of the Brethren	Methodist	2.2
84	American Baptist Convention	United Presbyterian, USA	2.0
61	United Presbyterian, USA	Episcopal	1.9
55	United Church of Christ	United Church of Christ	1.9

* The spread between the groups is great enough so that with two minor exceptions the same order of ranking prevails whether the measure is current fund income or current fund expenditure.

**The figures on church support of Roman Catholic institutions apply only to institutions reporting under the specific question relating to church support. They do not apply to all Roman Catholic institutions in our study. For *all* such the figure *including* contributed services is 253 thousand per institution or 5.9 percent of total current fund expenditures.

But How Bad Is It?

At this stage in our study much of our analysis must be in collective terms and we must speak of the "average" institution. Taken collectively, we have said, private higher education carries an indebtedness on its physical plant of about three billion dollars. By the same rough measures of approximation we can say that private higher education carried a current fund indebtedness (in 1968-69) of nearly half a billion dollars on a current fund budget, for all of private higher education, of about five billion dollars.

For the institutions in our study, the total deficit incurred in any or all of the four years included in the study, not netted out by combination with surplus years or with institutions running surpluses, is 266 million dollars. A rough estimate of the total deficit experienced by all of private higher education over these four years, therefore, would be near 370 million dollars.

The aggregate figure of 266 million is the addition of four years of deficits. The following table shows the amount of deficit reported by institutions in our study for each of the four years, the number of institutions reporting deficits, and the approximate number of all private four-year accredited colleges and universities with deficits.

	1967-68	**1968-69**	**1969-70**	**1970-71**
Total deficit reported (in millions)	36	57	86	87
Number of institutions reporting deficits	187	234	307	261
Approximate number of all private four-year accredited colleges and universities with deficits	259	324	425	362

Are these large amounts of money or small amounts?

Charles Dickens put it into the mouth of Mr. Micawber to observe: "Income twenty pounds, expenditure nineteen pounds, nineteen shillings, sixpence–result: happiness; expenditure twenty pounds, sixpence–result: misery."

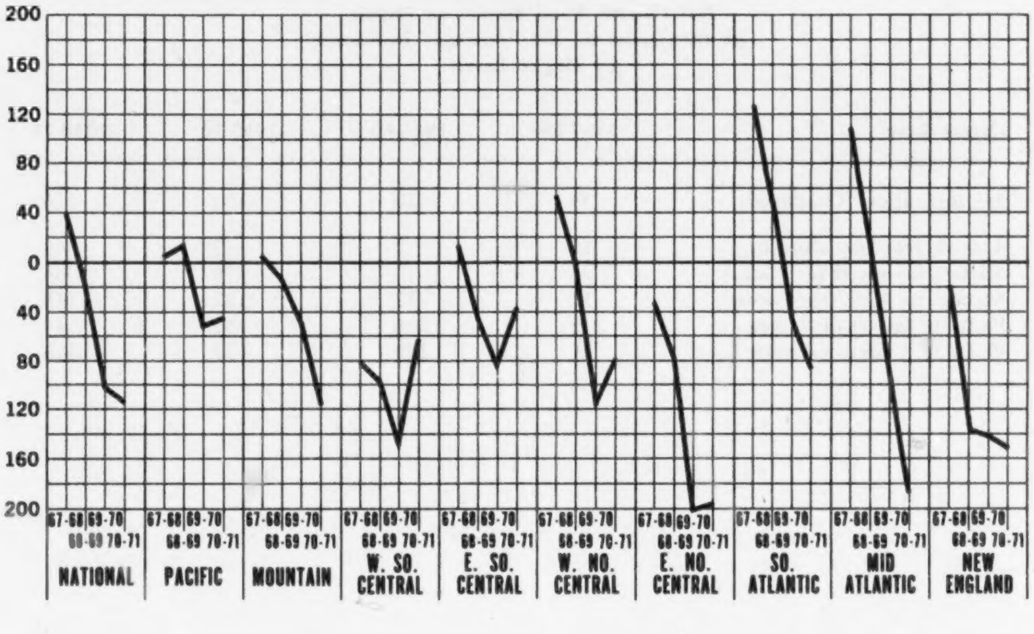
These deficits are more than sixpence. We live, however, in a nation where the largest railroad receives a federal loan guarantee of 125 million dollars in a deficit situation of more than twice that amount and where the Defense Department seeks one billion 400 million dollars to stave off bankruptcy for the developer of the C-5A transport plane.

Private higher education, taken as a collective whole, is not yet in desperate straits. For the private institutions in our study, the *net* current fund deficit for 1968-69 was only three tenths of one percent of their combined total current fund expenditure budget. For 1969-70 their projected deficit is 1.4 percent of the current fund budget for that year; and for 1970-71, 1.46 percent.

Private higher education is not, however, a collective whole. We can come a little closer to perceiving this by comparing average figures for all the institutions in our study with various sub-sets of "average" institutions in the tables and graphs following.

The nine regions (with the exception of Pacific) share a trend line over the first three years. With the exception of the West South Central, East North Central, and New England regions, where the "average" institution was already in the red by the end of fiscal 1967-68, the line begins in the black and flows quickly into the red. The trend line projected from 1969-1970 to 1970-1971, however, divides the regions into two groups: those that see the deficit increasing (Mountain, South Atlantic, Mid Atlantic, and New England) and the remaining five regions that project 1970-71 to be a year with lower deficits than 1969-70.

Net Current Fund Surplus or Deficit
(in thousands) for the "Average" Institution
by Geographic Regions



Region	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
Pacific Region	4	13	-52	-46
Mountain Region	6	-13	-50	-116
West South Central Region	-81	-97	-149	-62
East South Central Region	14	-46	-87	-37
West North Central Region	54	0	-116	-76
East North Central Region	-32	-77	-201	-196
South Atlantic Region	126	50	-47	-87
Mid Atlantic Region	108	14	-92	-189
New England Region	-19	-137	-141	-151

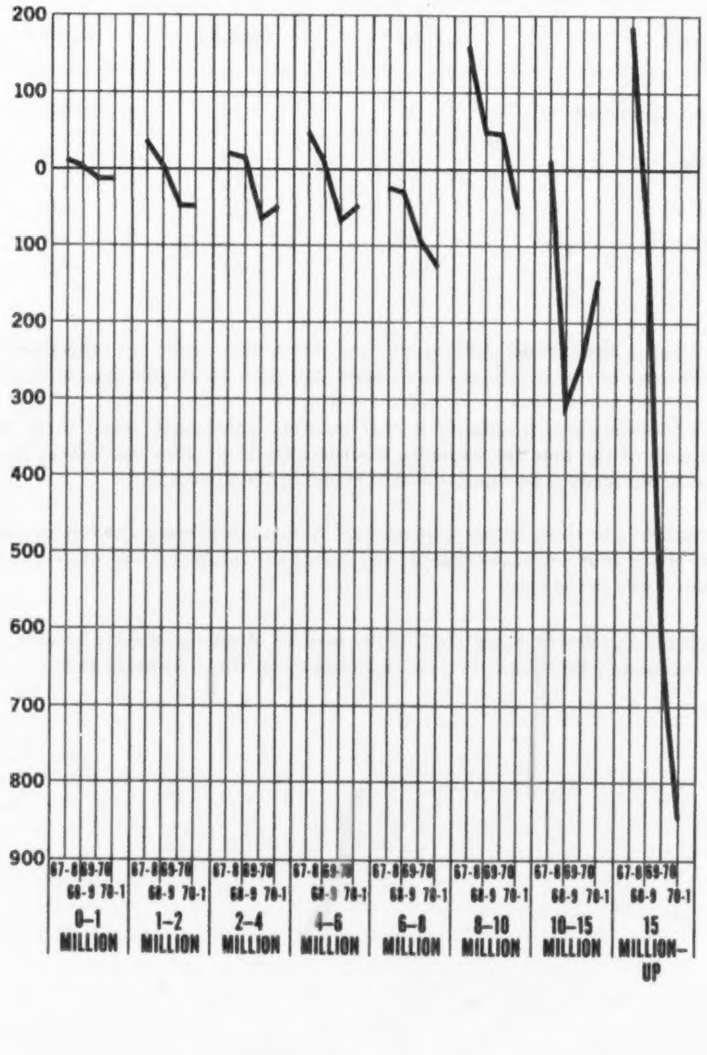
The table showing the war between the red and the black over the four years of our study for institutions analyzed by degree levels shows that, while all begin in the black in 1967-68 and end in the red in 1970-71, the twenty institutions that identify themselves as offering the Ph.D. or equivalent in less than four areas run a surplus pattern much longer than any of the other groups. However, while the baccalaureate and masters-in-less-than-four institutions are hopeful that their deficit situation will be milder in 1970-71 than in the previous year, the other three groups–including the Ph.D.-in-less-than-four see their situation worsening.

Net Current Fund Surplus or Deficit
(in thousands) for the "Average" Institution
by Degree Levels

Degree Level	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
4 or 5 year baccalaureate	27	-3	-52	-49
Masters in less than 4 areas	35	-13	-79	-64
Masters in 4 or more areas	13	-62	-122	-148
Ph.D. in less than 4 areas	245	206	35	-45
Ph.D. in 4 areas or more	86	-250	-652	-815

The following graph presents data on the net current fund surplus or deficit (in thousands) for the "average" institution in each of eight budget ranges. These current fund budget ranges are based upon the most recently completed fiscal year reported by institutions in our study.

Net Current Fund Surplus or Deficit
(in thousands) for the "Average" Institution
by Budget Ranges



Analysis by enrollment levels, finally, shows the "average" institution was still running a surplus in 1968-69 in every enrollment range save one: the "average" institution enrolling 500 students or fewer. The "average" institution in only one enrollment range (1001–2000) expects that 1970-71 will be less bad than 1969-70 although three others see the degree of slide moderating.

Net Current Fund Surplus or Deficit
(in thousands) for the "Average" Institution
by Enrollment Levels

Enrollment Level	1967-68	1968-69	1969-70	1970-71
All Institutions Combined	39	-20	-103	-115
500 and below	-2	-2	-38	-41
501 – 1000	21	-19	-72	-73
1001 – 2000	18	-20	-68	-49
2001 – 4000	78	9	-45	-61
4001 and up	147	-65	-407	-558

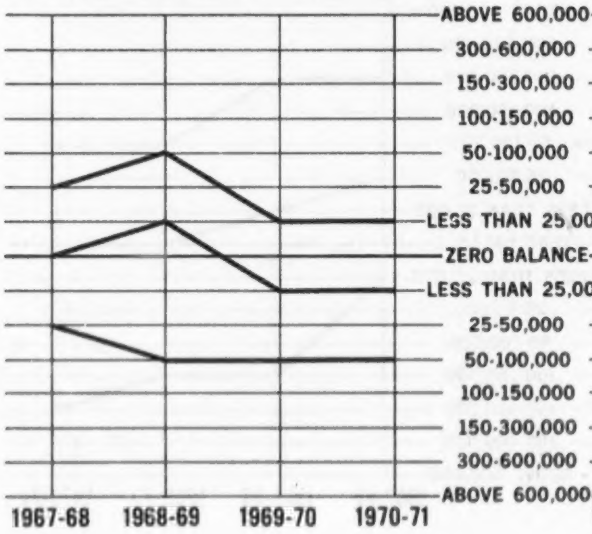
We can come a little closer still to the realization that these are individual institutions by examining the institutions by enrollment levels again, this time showing median and quartile ranges.

What the following graphs indicate is that in every enrollment group there is a quartile of institutions in each of the four years running a surplus. (Indeed, other data reveal that one fourth of the institutions in our study report no net deficit in any of the four years!)

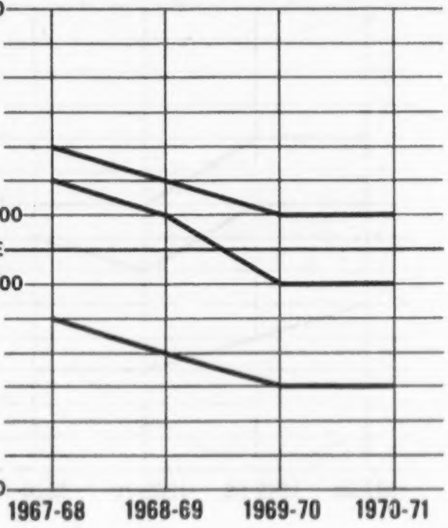
What the graphs also show is that a quartile of institutions in every enrollment range is running a deficit in each of the four years; and that in only one of the enrollment ranges (2001–4000) does the median institution stay in the black.

The graph for enrollment group 1001–2000 may be of special interest because, coincidentally, this graph also accurately represents the median and quartiles for all institutions in our study.

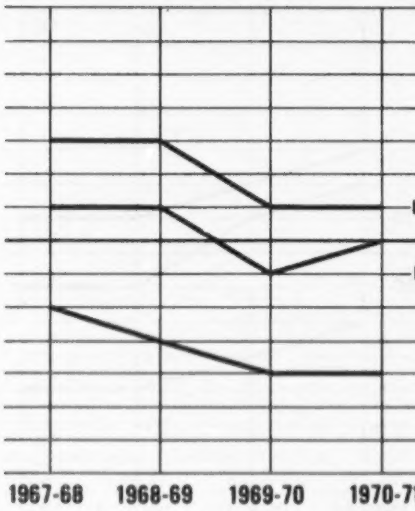
CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 500 OR LESS, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



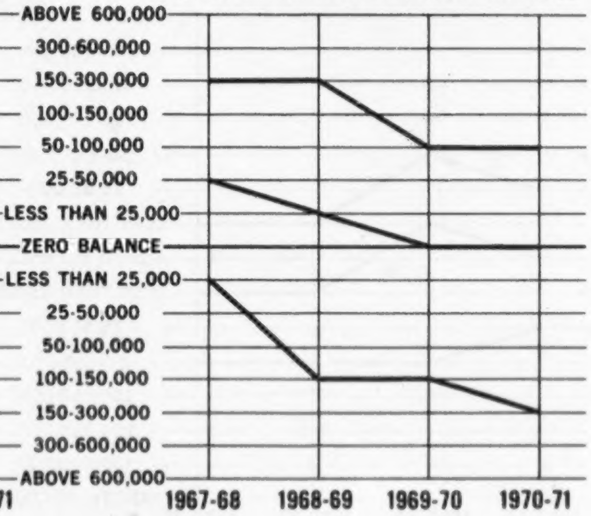
CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 501-1000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



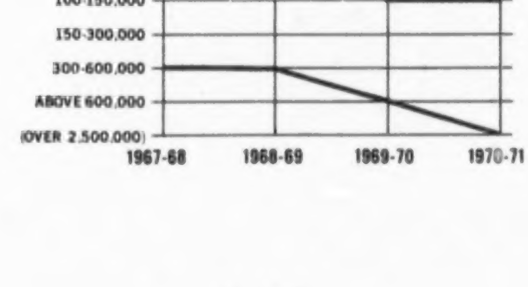
CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 1001-2000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 2001-4000, SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



CURRENT FUND SURPLUS OR DEFICIT FOR INSTITUTIONS ENROLLING 4,000 AND UP SHOWING MEDIAN, FIRST AND THIRD QUARTILES, FOR FOUR YEAR PERIOD BY SURPLUS AND DEFICIT RANGES



Private higher education, to reiterate, is not a collective whole. *For institutions running deficits,* the financial situation runs from serious to critical as the following table suggests. The table presents by median, first and third quartiles, current fund deficit as a percentage of total current fund expenditure. What it reveals is that while one quarter of these institutions are running deficits less than two percent of their current fund budgets even in projected 1970-71, another quarter are running deficits in projected 1969-70 and 1970-71, in excess of seven percent. In 1970-71, in fact, the range for this group of institutions is from 7.4 percent to 29.1 percent of the current fund budgets!

Deficit as a Percentage of Current Fund Expenditure

	1967-68	1968-69	Projected 1969-70	Projected 1970-71
Q_3	5.8	6.6	7.6	7.4
M	2.7	3.2	3.8	4.2
Q_1	1.1	1.3	1.6	1.9

Individual institutions present a wider variety of patterns over these four years than tables and graphs of gross statistics can reveal. Some march steadily from a surplus or small deficit in 1967-68 into deeper and deeper deficits. Others have been doing well and continue to do so; while still others move helter skelter over the four years from surplus to deficit back to surplus and back to deficit or from deficit to surplus and back again. Indeed, virtually any surplus-deficit pattern possible may be found to have at least one example.

Individual institutions simply resist being taken captive by statistical averages. For this reason, individual institutions, no matter how perilous their situation as judged by the statistical company they keep may, like Pauline, be saved from imminent disaster by the heroic action of a magnificent bequest or the fortuitous appearance of some other savior or by native intelligence which enables them to outwit the financial villain and escape. An individual institution's plight may be favorably modified by a magnificent gift, by a substantial increase in enrollment, by the favorable effects of legislation imminent in some states. But statistics take note of the opposite possibilities as well: the disaffected donor, the declining enrollment, the absence or ineffectual action of state legislation.

Private colleges and universities are apprehensive and they have reason to be. Most colleges in the red are staying in the red and many are getting redder, while colleges in the black are generally growing grayer. Taken collectively, they will not long be able to serve higher education and the nation with strength unless significant aid is soon forthcoming.

Mrs. **Green**. Thank you very much, Mr. Jellema, for a most informative report.

On the graphs of material on pages 27 and 28, do you include as deficit spending those institutions that are dipping into their endowment funds, or would they report if they were in the black?

Mr. **Jellema**. The institutions were asked to report prior to the time that they dipped into endowment. That is, if they ran a deficit but had funds functioning as endowment with which to cover that deficit, they were first asked to report the operating deficit. We then asked them in a subsequent question; what did you do about that deficit? That was the point to reply; we took money from our funds operating as endowment to make up that deficit.

Mrs. **Green**. Then that would be reflected. The endowment really would be reported as deficit financing?

Mr. **Jellema**. The endowment would be reported as deficit financing but these graphs reflect the state prior to the time that they reached into the endowment.

Mrs. **Green**. Yes; do you have any information on the number of institutions which have gone out of business?

Mr. **Jellema**. No, not other than looking at the Office of Education directory to see what institutions are not listed this year that were listed last year and keeping a general eye open for announcements of institutions either merging or otherwise going out of business. I have just some general awareness of an institution here and there closing but no figures derived from this study.

Mrs. **Green**. Would you have that soon?

Mr. **Jellema**. We are working on a rather sophisticated program that we hope will enable us to project some trend lines that will say, in effect: Assuming business as usual and looking at the reserves that different institutions have, when will the rising cost line and the decling reserve line cross? These trend lines might enable us to forecast the number of institutions expiring 5, 10, 15 years down the pike.

Mrs. **Green**. Do you have any information on how many of the private colleges have been absorbed in the State systems because they are not making it?

Mr. **Jellema**. I have personal awareness of one or two. Fred, do you have any?

Mr. **Ness**. About the same. We don't have any financial figures on that at the moment.

Mrs. **Green**. Can you obtain that? For instance, I understand Columbia is considering going into the State system, it can no longer make it financially. I know in my own State there have been discussions about this.

Mr. **Jellema**. I suspect that we could get a reading on that by consulting with leaders in the National Council of Independent Colleges and Universities whose executive officer is on our staff.

Mrs. **Green**. Could you do that?

Mr. **Ness**. We could do it for 33 States. We might have difficulty going on beyond that point.

Mrs. **Green**. Did your study give any indication of the disaffected donors that we hear so much about these days?

Mr. **Jellema**. Not directly, no.

Mrs. **Green**. You have no conclusions temporary or tentative or——

Mr. **Jellema**. Not derived from the study, though again——

Mrs. **Green**. The amount of money that institutions are getting from the private donors, is that increasing or decreasing?

Mr. **Jellema**. It varies among institutions. One group of institutions that I looked at had a decline in unrestricted gifts and grants in 1968–69; yet they projected an increase the following year of considerable proportions. It was that projected increase which enabled them to come out at the bottom of the page with an improved financial condition. Whether that proves to be the fact or not is——

Mr. **Ness**. Unfortunately, the figures for that kind of information are always out of date. As of the moment in the various categories of support, the private philanthropists, the foundation support and the corporate support do seem to be increasing but they are not increasing percentagewise in accordance with the need.

The last figures I saw were 1968 and 1969 which I would not like to rely too much on. We have had some reports where institutions have indicated a decline which they attributed to a combination of the decline of the market and of student unrest, but again this is very unscientific, it is just that this institution has made such a report and it has reached the public press and therefore it has come to our attention. The last figures I saw were 1968–69. The 1969–70 figures should be available soon.

Mrs. **Green**. About a year and a half ago I met with the presidents of the private colleges in Oregon and they reported to me the same thing that you report this morning, that the middle income group is disappearing from their student bodies. Private colleges find their student bodies are now increasingly composed of the very poor who are financed by Federal or State grants and the wealthy who can afford the higher costs.

The administration proposal is to give half the same package that we have had of grants by the NDEA loans but to give to the needier students what they refer to as the "cost of education bonus" which would be, as I understand it, $1,500 in subsidized NDEA loans.The purpose is to allow the needier student to go to the most expensive college.

In terms of the national interest or in terms of the individual's education, do you think that this is a justified basis for the Congress requiring middle-income families to pay taxes to make it possible for the neediest students to go to the most expensive colleges, a luxury which the middle income family does not enjoy?

Mr. **Jellema**. Madam Chairman, let me request Dr. Ness to respond to that. I am sure we are going to insert testimony on the administration bill but he may be ready with some comments on it at this time.

Mrs. **Green**. I would like to have you respond, please, in terms of this not being the only choice that is available to rescue private institutions. There might be better alternatives.

Mr. **Ness**. I think one of our real concerns is simply whether the neediest student is in fact going to elect this option because if he does it is going to be elected on the basis of adding to the mortgage that he is taking out on the rest of his income for the rest of his life. My feeling is that a great many of these students in part because of traditional family experience with borrowing money will make them very reluctant indeed to take the additional somewhere between, let's say, $1 and $1,500 in order to go to the more expensive college.

I had one personal, and in a sense rather pathetic, experience with this because I was supporting a needy student and unfortunately our communication was not good and he dropped out of college rather than take the additional loan that could have been available to him. I am very apprehensive that a great percentage of the students to whom we are trying to provide this equal opportunity or equal option will not take it because the only way they can get it is by mortgaging their future.

Mrs. **Green**. But if I may suggest, Mr. Ness, you have really not responded to my question. You have simply responded that it would not work.

My question was: Do you think that this is a legitimate area for Federal concern and legislation? Is it really in the national interest to make it possible for the neediest student to go to the most expensive college? As I understand your response—you are saying it is simply not going to work out in that fashion.

Mr. **Ness**. I think it is in the national interest to provide equal access to the neediest student so he does have an option. Now just how that option is best——

Mrs. **Green**. But under this plan does the middle-income student have equal access?

Mr. **Ness**. I think he does not under this plan. I would hope we could testify on that at a later time when we have an opportunity to canvass the opinion of our members.

Mr. **Quie**. Will the gentlelady yield?

Mrs. **Green**. I suspect 5 minutes is gone and I yield to the ranking Republican.

Mr. **Quie**. I will let John answer this question first.

If it would be less than acceptable for the middle income people to pay taxes to enable the poor students to secure the cost of education loan for $1,500, is this really any different than what you have already said is done when you raise the tuition to the middle income and higher income student in order to pay it for the lower income students in the private colleges? If it is ethical for you to do this already, it should not be unethical for the Federal Government to do the same thing, turning to a wider tax basis.

Mr. **Ness**. I would like to call on one of our college presidents who is, after all, out on the firing line.

President Armacost, would you comment on that?

Mr. **Armacost**. It seems to me that the national interest is served by providing meaningful options to students of all income levels, and I think this speaks to Mrs. Green's point.

It seems to me that proposed legislation is not providing meaningful options to middle income students. I would agree with what Mr. Ness has said. I doubt if it will work for lower income as well, but if it did work it would be providing lower options to the low income students.

We do this for educational reasons, Mr. Quie. That is, the heterogeneity of the student body is a total factor and we think we cannot perform our job as well if it were a student body made up entirely of affluent youngsters. So, even at cost to us, it is important in order to achieve our institutional purposes.

Mrs. **Green**. My only objection to the proposal is that it singles out one group and gives them opportunities and advantages which we deny to the middle income. If we had a similar proposal that would make every middle income son or daughter also eligible for such assistance so that they would have the luxury of choice, it might well cast a different light on it. As it is, it seems to me to be very discriminatory and that is my objection.

Mr. **Ness**. Excuse me. I have had some calls from college presidents who put this in what you said, a slightly different term. They have said that Federal policies, fiscal policies for aid, are actually skewing our academic programs for much the same reason that President Armacost has said.

Mrs. **Green**. I agree with that a thousand percent.

Congressman Dellenback.

Mr. **Armacost**. The consent of financial need as it has been using the fellowship service is one where you are dealing with the issue that you raised, I think. That is, the student then chooses the educational experience which seems best suited to his or her need and it is cost allocated with that compared with his ability to pay for that educational program. The administration proposal goes on family income rather than need as has been typically calculated.

Mr. **Dellenback**. Madam Chairman, if I may.

I gather that you will be back at a later time to testify on the administration's proposals themselves.

Mr. **Jellema**. Yes.

Mr. **Dellenback**. I am not sure that you will be back, or maybe you will. Since you are here now I would be interested in any comments that you might have to make on the administration proposal because as I understand what they are proposing, they are talking about the lowest income student potentially getting $1,000 in the form of economic opportunity grant who works steady. Beyond that there is a possibility of an additional $400 in NDEA almost as a matter of right. This is $1,400.

That takes one level of the institution from a cost standpoint. Now beyond that there is a proposal not that they as a matter of right will have option to take another $1,500 in subsidized loan but that on the basis of what the institutions themselves will be defining as need, they can be eligible for some intervening amount between zero and $1,500 in the way of a subsidized loan with each institution having made available to it some total amount of such loan that it can portion out on the basis of need.

There is no automatic move to $1,500 plus $1,400 and that need is a gradation as I understand it from the situation where the very lowest have $1,400 made available to them and gradually that will move incrementally and on a continuum to the situation of the person who has complete need beyond the $1,400 to the one who has less and less need. At some stage of the game the concept is that they will have sufficient outside income to pick up the additional amount and take them to the $2,900 total so that they fade into each other.

There is no longer the arbitrary "up to this point you qualify; beyond that point there is a cutoff and you don't qualify." It is intended to do it by gradation. If you talk about loans beyond that, these will be available to anyone.

Now what would you propose be modified in that program against what my understanding of it is, which is that there is no cutoff point beyond which you don't qualify?

Mr. **Armacost**. I would like to defer on the administration bill because I have not seen it in print yet and I have not had a chance to study it.

Mr. **Dellenback**. If you are going to stop anything close to that, you say you are not commenting adversely on the administration proposal.

Mr. **Armacost**. All right. The one comment I would make is it is not a clear all-or-nothing thing at present—that is, with CSP it is, but at the moment it is possible to compare EOG and CSP and that is, it is a proposed ceiling of $1,000. At present on our campus if a student receives the maximum EOG plus CSP 15 hours a week work at the minimum wage, that would be about $1,890.

Mr. **Dellenback**. If I may comment on that then, you are not commenting adversely on the administration proposal on the ground that the lowest income student is benefited and not the middle income student.

Mr. **Armacost**. That is correct.

Mr. **Dellenback**. I just want to be sure I understand it.

Mr. **Armacost**. The present NDEA program is on the basis of need so it is not based on cutoff. It is calculated on financial need.

Mr. **Dellenback**. As this one is also.

Mr. **Armacost**. The questions I would raise about that really have to do with the adequacy of funding and the availability of money.

Mr. **Dellenback**. All right. So I would urge that as you come forward with specific comments on the administration's proposal that it be not just a case of where we need more money and we want to do all these things that are proposed plus—unless you are prepared to also give us solid suggestions as to total limits and where we get them, we are going to have to make some hard choices. Facing those hard choices we have to say what does the first dollar go for and where does the dollar that we are not going to be able to spend come from.

So again understand what I am saying. I am not saying that all that is in the administration proposal is perfect, I just want to be sure I understand your testimony today as not really speaking adversely on the administration's proposal because I read you now, Doctor, as saying you want to defer any comments on any aspect of it, including the impact on middle income or anything else. Is that right?

Mr. **Ness**. I would like to make just one additional comment because we have not had an opportunity as yet. Now we know what the administration proposal is. We have not had an opportunity to study the actual——

Mr. **Dellenback**. This is the time to insist on it.

Mr. **Ness**. The one thing we feel very strongly about, there is a tripartite system of aid to student and institution which is almost inseparable. If we provide aid solely for the student and if as a result of such aid there is to be a substantial increase in enrollments, there is a real question whether the institutions who are not going to be receiving aid for expansion of their facilities, who are not going to be receiving any aid for the current operating expenses may not indeed be able to accommodate these students with the quality of education that we have come to expect from higher education. So we are very fearful in having a division there which does not recognize or in having a program which does not recognize what in our judgement is the inseparability of these three types of aid.

Mr. Dellenback. So long as there is this differential in total amount that must be spent per student and the income that would be tied to each incremental or additional student, the more students you have the more the deficit of the institution.

Mr. Ness. That is correct.

Mr. Dellenback. I think it follows inexorably.

Mr. Ness. Yes.

Mr. Dellenback. Let it be understood so far as we are concerned I have joined with Congressman Quie and some others in proposing that we supplement the administration's proposal with institutional aid. We feel very strongly about this particular thing for the very type of reason to which you are alluding. I don't mean to confuse that with our basic area of comments on the points that were raised by the Chair because I think she has raised some very sound questions and I want to be sure that we explore these in great detail. I just want to be sure that I read you correctly as saying you are not today commenting adversely on it in any of its aspects. Instead you are going to withhold judgment until you have had a chance to study it later today.

Mr. Ness. Yes.

I make one further expression of hope. When you are talking about deficits, you are considering not just financial deficits but quality deficits.

Mrs. Green. A very valid point.

The gentleman from Indiana, Mr. Brademas.

Would the gentleman yield?

Mr. Brademas. Of course.

Mrs. Green. I have had great admiration for certain members of our full committee who pose leading questions. I think that my dear friend and colleague from Oregon has been an excellent student and has learned the technique exceedingly well. I want it to go on record that I am indeed making adverse comments to the administration proposal.

There is an automatic cutoff for the middle income and I would urge the three gentlemen before us and others to study the administration proposal. We will supply Secretary Richardson's testimony of yesterday in which he said this proposal allows the needier student to go to the most expensive schools. Beyond that, the table in Marland's testimony I think points up again the dilemma of the middle income. If you have an income of $12,000—and it is not clear whether it is adjusted or not, but I will give them the benefit and say it is adjusted—and if you have one child, before that child is eligible for anything—educational opportunity grants, work study, NDEA loan, on subsidized loan—the family is expected to have contributed $2,150 out of that $12,000 income. If that family has five children who happen to be in college, and I have a sister who has four in college at the same time so I know a bit about the problem, you must contribute $1,090 for each one of the five children—over $5,000 out of a $12,000 income—before you can get a single bit of student assistance.

Now it seems to me those facts are pretty clear from the Commissioner's testimony.

I thank the gentleman for yielding.

Mr. BRADEMAS. Madam Chairman, just following your observation I would quote the message of the President on higher education of February 22 in which the President said:

> The program which I am again submitting this year would assure that Federal funds go first and in the largest amounts to the neediest students in order to place them on an equal footing with students from higher income families.

Now that is very plain English and I think that it is quite clear that the administration's program is aimed at implementing precisely what the President said he was trying to do. If I perceive Mrs. Green's observations today and yesterday accurately, what I believe that she has been saying and what I must say I am pleased to associate myself with her saying, is that with respect to middle income America the administration's program this year is, as it was last year, terribly deficient and whoever has been making it up has been living in fantasyland with respect to how American families live.

When I was in college with four young people, my two brothers and my sister, we were all in college at the very same time, yet we would not have qualified under the kind of income test that is being represented by the administration's proposal here for any student assistance at all. Living in the kind of world in which we live today, I don't think it would have been possible for some of us to have made it through college.

So I think your analysis has been very telling here. Though you have not yet taken a position with respect to the administration's proposal, you have made the point in your earlier comments when you talked about the polarization that your statistics show as between the neediest students and the most well-off students.

I have been a strong supporter, as most of us on this subcommittee have been, of educational opportunity grants and college work study programs, and all kinds of such programs for very needy students. I am strongly for those; I just don't like the administration's posture of trading off middle income students against poor students and telling us on this committee that we have to choose between two types of young people.

The second point I would like to make, Madam Chairman, is that I have been looking at the summary of the findings of the latest Carnegie Commission study and it is quite fascinating to see how it is on all fours with what we have heard today. Fifty-two percent of the institutions, and 54 percent of the students that represent a thousand institutions and 4 million students are headed for financial trouble.

Nearly a fifth of the institutions, 19 percent, enrolling something like 24 percent of the students, 435 institutions enrolling 1.8 million students, are now in financial trouble. The Carnegie Commission report says that private institutions, which you gentlemen represent, as of the spring of 1970, well over a year after your report was put together, are "considerably more likely to be in financial difficulty than public institutions."

The Carnegie Commission report's conclusion is that the survival of many of our private institutions, or of many institutions is in jeopardy. This is again the point I think the chairman of our subcommittee has been making, that the administration's program does not take adequately into account the needs of private higher education in this country, and I take it that Mr. Quie's bill is in part directed to that point.

The third point that I would make, Madam Chairman, is that it is interesting to see that the recommendations of the Carnegie report to which I have referred call for a substantial expansion of Federal aid for all of higher education, public and private, including grants for students from low income and lower middle income families, cost of education supplements to institutions enrolling such students and improved student loan programs, construction grants and loans, startup grants for new community colleges and urban institutions, and continuation of Federal support or research.

This also, it seems to me, represents a collection of recommendations which are on all fours with what you have told us are the general preferences of the respondents to your questionnaire.

Mr. Jellema. Yes.

Mr. Brademas. Now I make these points because here you represent private undergraduate education, and here is the Carnegie report. We have reports coming out of our ears saying what is needed and the administration simply does not seem to have taken those reports into account.

Now I guess I made a speech. I don't have any particular question. I simply want to say that I find your statement very valuable and another solid admonition to be careful lest we simply deprive millions of middle income Americans from the chance to send their sons and daughters to college.

I yield back the balance of my time.

Mrs. Green. Thank you.

I might say to the committee that Mr. Knight is going to be a witness I think on the 18th and will go into this report which will, I think, substantiate this.

The gentleman from Minnesota.

Mr. Quie. Thank you, Madam Chairman.

Are there any EOG grant funds for middle income students now?

Mr. Armacost. That depends on how you define middle income.

Mr. Ness. I think the answer to that is no. I am not speaking with the assurance that I wish I could.

Mr. Quie. Then the administration proposal is not taking educational opportunity grants or work study grants away from middle income students. This would be the case on the national defense student loan program.

Mr. Ness. They are available to middle income students or have been.

Mr. Quie. I understand the guidelines put a $10,000 maximum on the family with two children, one in college. You may provide NDSL for middle income students but it would be contrary to the guidelines of the U.S. Office of Education.

Mr. NESS. These guidelines are now under study. I understand there have been 600 letters sent to the Commissioner on them. We have not had an opportunity as an association to make our own study of them, unfortunately. We have had them only about 10 days.

Mr. QUIE. What is the highest income a family of four, one in college, can have and qualify for an NDSL loan?

Mr. ARMACOST. Well, I don't directly administer that program any more; I did years ago in Minnesota as dean of students.

I am sure that in a family of four based on demonstrated financial need using the formula for the American college testing formula we would go in excess of $10,000 or even $12,000 if there are four or five youngsters.

Mr. QUIE. I didn't say four or five youngsters, I said a family of four, one in college. That makes two youngsters.

Mr. ARMACOST. I really cannot answer that except to say given that family circumstance we would award a loan.

Mr. QUIE. The fact is that there are very few families with two children, one in college, and incomes over $10,000 that are receiving an NDSL.

Mr. ARMACOST. Relatively few.

Mr. QUIE. So again the administration proposal is not taking anything away from anybody in those three programs. The only subsidy that the middle income family is receiving is the interest subsidy above the 7 percent maximum rate in the guaranteed student loan program. They are receiving a subsidy equal to the amount above the 7 percent interest plus the cost of the entire interest while they are in college, but the loan must be repaid with interest.

This loan has enabled some of them to buy a car.

Mr. ARMACOST. I think the burden of our comments this morning really say that there is a sector of higher education right now that is facing some very serious problems this year and the year ahead as reflected in Dr. Jellema's study and we are trying to lay a base for evaluating the administration proposal as it would affect these institutions.

We have not commented directly on the administration bill yet and cannot until we have studied it in detail. We have not said money is given away from middle income, we are simply saying we need to evaluate the administration bill for its impact on institutions.

Mr. QUIE. Now would you say, Dr. Jellema, that there is any difference between the size of the institution and the kind of financial difficulty they are in? My feeling is that the smaller institutions are in more financial difficulty than the larger institutions. Along with that, do any of you feel we should do something special to make sure the small institutions are preserved? You mention on page 6 that there just is not going to be a source of income available for all institutions.

Mr. JELLEMA. Two comments on that. I was looking at the percentage of institutions in various enrollment groups that were running a deficit that was 8 percent or higher of their current operating fund. Nineteen percent of the very small institutions, those enrolling 500 or less, were in this degree of difficulty in 1968-69. That is, 19 percent of those institutions are running deficits that are 8 percent or more of their current operating fund budget.

Sixteen percent of those institutions in the group enrolling between 500 to 1,000 are running deficits 8 percent of the current fund budget or higher. Eight percent of the institutions enrolling between 1,000 and 2,000 are running deficits of this magnitude. Two percent of those enrolling 2,000 to 4,000 are running deficits that large. Five percent of those enrolling 4,000 or more were running deficits that were 8 percent or more of their current operating fund budget.

I think the conclusion to be drawn from this is that smaller institutions do indeed have more of their number in serious financial trouble than the larger ones.

Mr. Quie. Do you think we ought to have a special concern about the smaller institutions rather than encourage them all to get large?

Mr. Jellema. I think they represent a kind of opportunity for diversity and a serving of subpublics and subconstituencies in society that is very valuable and very healthy. I am not sure the association has taken an official position on this but my own personal predilection would be to sustain these kinds of institutions with financial aid.

Mr. Quie. That would coincide with my feeling, too.

How about the difference between the public and private institutions? I know public institutions are having some difficulty shaking the money out of the State legislature. I understand Dr. Fisher is going to talk to us about the public institutions' problem. Do you think that private institutions have a unique and more difficult financial problem than the public institution?

Mr. Jellema. Our study didn't look at public institutions so we cannot compare comparable data although it is perfectly evident that most of the same cost factors have been operating on public institutions as well as on private. Private institutions by and large, however, are more strikingly dependent upon tuition as a feature of income and may be reaching the point of practical limit of the amount that people are willing to pay for education. Thus their financial future may be more precarious.

Mr. Quie. Especially if it is in any way dependent on the property tax as are some of the junior colleges and community colleges.

Do you think the Congress ought to try and find any special way to assist the private colleges over and above the public colleges, or do you think we should just wrap them all into the same program and make certain that the private institutions receive at least as much as the public institutions?

Mr. Jellema. Do we have an official posture on that?

Mr. Ness. Let me just comment in a very broad way here. We think all of higher education needs a tremendous amount of help at the moment. I would hate very much to see quality seriously sacrificed in any category. The Association of American Colleges does not represent solely private institutions. One-sixth of our membership, roughly, is public. The reason we undertook this study was because we are the one that represents the largest percentage of the private institutions. There was a kind of agreement among the associations that this would be our portion of the task.

Mr. Quie. Are you saying you don't believe the private institutions ought to have any additional help over and above public institutions?

Mr. NESS. I would certainly hope we would have a formula which would help us to meet the needs of both categories because both public and private are concerned with the public need.

Mrs. GREEN. We are going to hear from the public colleges later. The time of the gentleman has expired.

Mr. QUIE. I ask consent to raise one additional question on this and I will be through with that subject matter.

Mrs. GREEN. Without objection.

Mr. QUIE. Do you feel when you say we should write legislation to take care of the needs of both groups that the needs of the private institution are different from the public institution and that point ought to be addressed?

Mr. NESS. I would say at the moment the needs of the private institutions are probably more critical when you are looking at the actual survival of the institution. I was president of a tax-supported college for 5 years before coming to this position and I would say that we probably could always pretty well count on having at least the basic meat on the table, but we were certainly not able to do many of the other important things when you are talking about quality.

Mr. QUIE. Thank you, Madam Chairman.

Mrs. GREEN. Congressman Thompson.

Mr. THOMPSON. The study which you offered to us today has not only been valuable but fascinating. You know, as we embark on a discussion of the problems of higher education and what we should do about it, there are several factors that have to be considered by all of us, including you, in consideration of the effects of proposed budget cuts, the effect which the proposed revenue sharing program would have on categorical aid and on education in general.

I noted yesterday in a brief comment to Secretary Richardson that they seem to have singled out one area of education; namely, higher education, for the establishment of a foundation and that they have not mentioned the other levels of education or vocational education. I noted also that the foundation intends to give a great deal of advice to the institutions, both public and private. Whether that advice will be gratuitous or whether it will have any string attached to it, we don't yet know.

I agree thoroughly with Mrs. Green's criticism that the effect of the initial proposal, which will no doubt be amended, treats persons of middle income unfairly. As I see it, the question is this; if there is a Federal involvement in education at all levels, and I believe that there is, what are we trying to do? We are not trying simply to send every youngster who finishes high school to college. Therefore, we have to pay attention to the development of vocational education and other types of training beyond the secondary level, whether it be for paramedical purposes or to meet any of the rest of our great national needs.

The public institutions particularly have a tremendous responsibility to develop programs in those areas: the community colleges, the land grant universities, and the State-supported universities. So it would seem that we have got a long, long way to go. I note also that there are absolutely no grants for any facilities.

When we first passed the National Defense Education Act and started to encourage youngsters to go to college, and in those days in response to sputnik to study math, physics, science, and modern foreign language to the exclusion of the humanities, we left a great void there. We also left a void in terms of helping a great many students but in a sense forcing the educational institutions themselves to make a contribution in terms of the administrative costs to them, the faculty effort, the increased problems all up and down the line. We cured that.

So I was very glad to hear that the gentleman from Oregon and Mr. Quie had in their proposal, which I have not yet seen, provision for some sort of relief to the institutions which are going to be involved. It is obvious that the public institutions are not going to be able to accommodate the number of youngsters who will be going to college, and therefore the private institutions, large and small, are an absolute necessity.

It follows then that if a youngster opts to go to a private institution that beyond the actual costs of tuition, room, board, and books there is going to be cost to the institution which is going to have to be determined with some degree of accuracy and a grant to the institution will follow the student who chooses to go there, whether it be the high-cost or the low-cost institution.

I have no questions. Like Mr. Brademas, I simply have made a speech and I am going to yield back 2 more minutes than he did.

Mrs. GREEN. Congressman Pucinski, do you want to ask a question now or would you like to wait?

Mr. PUCINSKI. I just have one question.

Do you believe that we ought to start extending these loan programs and grant programs to part-time students attending institutions of higher learning?

Mr. NESS. We have no policy on this because quite frankly we have not considered it. I have always personally felt that the part-time student is a very important individual, that he makes a contribution and that probably to the extent that he needs assistance there ought to be some way that we can help him.

Mr. PUCINSKI. Thank you very much.

Mrs. GREEN. For the benefit of the members of the subcommittee may I announce a change in our schedule. Tomorrow we will have a hearing in which we hear from representatives of Oregon community colleges who are here for a meeting. It is very rare that we can have Oregon witnesses since it is 3,000 miles away, so I hope that some of you will be able to attend. I had breakfast with them this morning, Congressman Pucinski, and the strongest plea that they made was to make student assistance available to part-time students. They presented this in a motion.

I would like to make clear that I do not suggest that this administration is taking away work-study money or even educational opportunity grants from middle-income students who have had them. I do suggest that the administration's NDEA loan guidelines are tighter and are going to make it tougher for a middle-income student to qualify for an NDEA loan.

I also would like the record to show that I get infuriated at press reports that imply that President Nixon under no circumstances could do anything really decent. I quite disagree with that. He has made many recommendations that I am in complete sympathy with. I do suggest, however, that as we have watched the higher education programs develop, we have also observed the plight of the middle-income student. It seems to me the evidence is quite abundant that the middle-income students have been getting the short end of it and therefore any new recommendations ought to take this into consideration instead of ignoring it.

I also suggest that the needs of the institutions for operating are so great that new proposals must take this into consideration. I am suggesting that the administration falls short in these two areas. I am in complete agreement with the gentleman who testified that when an institution is facing bankruptcy that freedom of experimentation disappears. It reminds me of the old statement that necessitous men are not free men and institutions can't do what they want.

The administration proposes no help to the institutions. Then they come up with a proposal for a foundation to encourage experimentation. Their rationale for doing it is that the private institutions are not innovative, they are not doing research. You point out they can't when they don't have the money. But if we were to appropriate $100 million or $200 million for the Federal Government, then they would do it.

I would like to have you comment, if you would, as to whether you think there is a failure of leadership in colleges and universities to carry on innovative projects and to carry on research.

The other part of the question: What is the advantage of the Federal Government attempting to assume this leadership role? I would like to quote one thing. As I remember Mr. Richardson's statement yesterday, he said that the Foundation would give grants to those institutions who were willing to change.

Now I think those were his exact words. It seems to me that inherent in that is a Federal control unlike anything we have ever seen. The board here decides what the change should be. If the institution agrees with the change that this Foundation proposes, then it would be eligible for grants.

I would like to have your comment on the possibility of colleges and universities carrying on innovative programs. I think of the PAYE which is a private experimental program. I think of the open university, the off campus degrees. It seems to me there has been an awful lot of innovation at the local level.

Mr. **Jellema**. Let me comment on that. I am sure Mr. Armacost will have a word to add.

I agree with you. Radical experimentation is a costly thing for an institution. Only the Ford Motor Co. can afford an Edsel, and they only if they can recoup with a Mustang. If a small institution tries that kind of innovation, it really puts all of its eggs into a single basket and needs a much stronger financial base in order to carry on that kind of experimentation.

Mrs. **Green**. I just want to say only Ford and the Department of Defense can afford Edsels. That is a bipartisan statement.

Mr. **Jellema**. Innovation is already evident in many forms—in curriculum, in calendar, in attempts to find additional sources of financing. The PAYE plan that you mention is one that I personally am very much attracted to as a very healthy innovation.

Peter, do you have some comments on this innovation at the local level?

Mr. **Armacost**. There is not a whole lot to add to what has already been said. I have not in my own experience found a lack of ideas, it is rather the resources to carry out these innovations that seems lacking. In a way I am a case in point. I left the association to go to Kansas because I felt this kind of institutional setting was an ideal setting for trying some innovative programs. We have staked the entire future of our institution on the capacity to develop a demonstrably more acceptable style of education. If we are wrong, the cost is very, very great. Had we other resources at our command, we could try some of these innovations.

Mr. BRADEMAS. Would you yield, Madam Chairman?

Mrs. GREEN. Yes.

Mr. BRADEMAS. What I find frightening is the way the kinds of statements made by our witnesses here today dovetail the statements made by some others with similar responsibilities.

Madam chairman, in support of what you have just observed and what we have just heard, I note a January 1971 joint statement in the case for educational support by the National Association of State Universities and Land Grant Colleges, and I read these three sentences in support of their plea for operating grants.

> Operating grants will encourage innovation. A central barrier to innovation in higher education is that it costs money. Unless an institution has a reasonably firm financial base it cannot afford to devote the leadership, talent and money to experimenting with new experiments and devices.

It seems to me to be totally in support of the point that is here being made.

I thank the gentlelady.

Mrs. GREEN. Congressman Esch, do you have a question?

Mr. ESCH. Thank you very much, Madam Chairman.

I regret that I have other committee assignments at the same time and I hope sometime we can have arrangements made not to have duplication.

I wanted to come especially and pay respects to my former constituent and colleague, Mr. Jellema. I know full well the work he has done on his study. We have never had a definitive statement before such a precise statement of the specific needs of the college. I wanted to come to compliment him directly on the contribution that he and his association made to this discussion and dialogue. Hopefully in the coming months this committee will reflect the need as you demonstrated in your study in meaningful legislation.

Considering the time factor I would not have any other questions at this time, Madam Chairman.

Mr. PUCINSKI. Madam Chairman.

Mrs. GREEN. Congressman Pucinski.

Mr. PUCINSKI. Mr. Jellema, I wonder, do you care to voice an opinion on the method of qualifying youngsters for assistance today, particularly the cumbersome and very exhaustive family assistance questionnaire? Do you think that may discourage a lot of youngsters from qualifying and applying for assistance where they have to get the parents to spell out the last 2 years of income taxes, as well as all the other things? Would you support an effort to make it a simple affirmation that the financial need exists?

Now it would be an affirmation under oath, and if that affirmation is fraudulent there are ample ways of dealing with the situation. I feel that the exhaustive questionnaire now does discriminate against the so-called middle-income youngster and it places a great test on a family.

A middle income family of two or three children in college is presumed to be very poor regardless of what their income may be, and yet the questionnaire that they have to fill out goes far beyond standard income tax inquiries. I find that the IRS is not as probing sometimes as some of these questionnaires.

Do you think that perhaps we ought to take a hard look at this whole idea?

Mr. NESS. May I answer that the last two of my five daughters were graduated from college last year. I have had to fill out these questionnaires. I would certainly hope that some simpler device could be developed.

Mr. PUCINSKI. Thank you.

Mrs. GREEN. Congressman Dellenback.

Mr. DELLENBACK. Thank you, Madam Chairman.

I would really just say two things. I wish there were unlimited time because there would be other questions I would like to ask.

I would like to commend Dr. Jellema for the study. So very frequently we are expected to extrapolate from insufficient basic information of the tests, either a handful of institutions or a small percentage, and then we are expected to try to generalize on the specifics in a way that is wide open to error.

One of the things that has impressed me about this study is not just the conclusions but also the opening part of your testimony which is spelled out in full in the written testimony which is going to be part of the record and the degree of response that went out, in excess of 75 percent of the response that was intended initially to be just as broad as you could make it. I think this adds very real credibility to all of the conclusions that we drew from this.

We appreciate the offer that you make of the data which you have available, and perhaps as we come up with specific questions it could call for us to go back into the data that you have accumulated and we can take advantage of your offer in this regard.

I just close with one other point and that is, when we talk about innovation and change—and I am now not talking about how it is to be brought about, I am not talking about whether we have a foundation or whatever road we follow in doing it—I am troubled that we are talking too frequently about adding on to that which is instead of substituting for that which is.

I think that frankly we are in a financial bind not only in higher education but in our States and our Federal Government expenditures. If we expect to go on indefinitely to say if we have x students we are going to spend y dollars, if we have two x students we are going to spend \$2 y, or if we have three x students we are going to spend \$3 y, we are in a bind from which we cannot expect to extricate ourselves. I don't think it should be coming from the Federal Government but coming from you who are out in the field and on the cutting edge of this, that you must be looking for change which is really change and not just additions to it.

Thank you, Madam Chairman.

Mrs. GREEN. We have one more witness this morning.

Congressman Quie, do you have any questions?

Mr. QUIE. Yes, I would like to ask a couple questions here.

Do you think there is any chance that your colleges will start opening up to serve a broader category of students? I refer particularly to career training.

Mr. Ness. I would answer very quickly that the costs of this would have to be weighed very, very carefully, because your career programs tend often to be your most costly programs.

Mr. Quie. If there was Federal assistance for a career program so that a substantial portion of the costs over and above the academic program would be paid by the Federal Government, would there be a tendency to move into that?

Mr. Ness. I think many of our institutions would after a great deal of soul searching but many of them would in my judgment.

Mr. Jellema. Excuse me. What do you mean by career programs? There are a number of such programs in operation as I understand the term.

Mr. Quie. There is a tendency for the terminal career programs to be provided in public institutions rather than in private institutions. I know private colleges train teachers, so you call that a career program. I also know how they look down their noses at home economics departments and such as that in those colleges.

Mr. Jellema. Home economics is costly.

Mr. Ness. Nursing is another one. Many of them should get out of it because of the high cost but many of them don't because they feel there is a need.

Mr. Quie. You think some of them may shift away from nursing because of the high cost?

Mr. Ness. I think some would be willing to shift into it if they felt that the cost of providing the necessary facilities and staffing could be met.

Mr. Quie. What about the standards? Do you think that there ought to be a reduction in the entrance standards and remedial education given to students because they don't qualify for the standards that have been set?

Mr. Ness. This has already happened in many of our institutions and that is one reason the efforts of private institutions to accommodate the need have really cost them quite substantially.

Mr. Quie. Is there also a move to reduce the standards of private institutions for graduation as well as some are talking about it?

Mr. Ness. I think there has been a move to avoid doing that.

Mr. Quie. I know some feel a bar examination should not be required to become an attorney, either.

So you don't think there is any danger of reducing the standards for graduation?

Mr. Ness. I think there is a danger. If you notice, my answer to you had a kind of half question at the end.

Mr. Quie. I didn't know if you were being cute about it or if there really was a danger.

Now the last question I would ask then is about the loan. Do you think that there is the possibility that you would move to the concept the Ford Foundation is working on now for repayment during one's life of the loan for college education?

Mr. Ness. I think there are many dangers in that program. We had an opportunity to meet with the Ford people to explore some of these. I just had the feeling that the very fact that the Ford Foundation decided to make a grant of $500,000 shows their recognition of some of its inherent dangers.

Mr. JELLEMA. I wonder if I may say just a word of my own concern for this kind of program while recognizing very fully the concern that our President has expressed.

Personally I think there is real reason for looking very much more carefully at this kind of proposal—and carefully in a favorable sense—than we have been wont to do in the past. I think it has possibilities as part of a balanced program. I should be very reluctant to see it become the vehicle for attempting to reconcile the deficit picture in these institutions with a breakeven budget, but as part of a program I think it has possibilities.

Mr. QUIE. The biggest danger is that it might become "the" program just as subsidizing private loans became "the" program. I felt that the same thing happened with the guaranteed student loan program. For a while it looked like that was going to be "the" program. I commend this administration for at least turning attention back to the subsidized loan and the grant program.

Thank you, Madam Chairman.

Mrs. GREEN. I cannot adequately express my thanks to you, Mr. Jellema, for this report. I think you have made a very significant contribution as far as our hearings are concerned. Of course I recognize that the Association of American Colleges is responsible for the contribution the gentleman has made. So to the association and to you Mr. Jellema, my thanks.

Mr. NESS. We are grateful to you for being able to share our concerns.

Mrs. GREEN. We will begin hearing the testimony of Mr. Fisher. I am not sure when the bells are going to ring. If we are cut off, I hope that Mr. Fisher will be able to return.

Mr. James L. Fisher is president of Towson State College, Md., and is representing the Association of State Colleges and Universities. He is accompanied by President Albert Whiting, North Carolina Central University, member of the board of directors of the American Association of Colleges and Universities.

My apologies, Mr. Fisher and Mr. Whiting, for keeping you until this time but we found the preceding testimony exceedingly interesting. If we are cut off, we hope you can return.

Will you proceed as you wish, Mr. Fisher.

STATEMENT OF JAMES L. FISHER, PRESIDENT, TOWSON STATE COLLEGE, MARYLAND, REPRESENTING THE ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES, ACCOMPANIED BY ALBERT WHITING, NORTH CAROLINA CENTRAL UNIVERSITY, MEMBER OF THE BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF COLLEGES AND UNIVERSITIES

Mr. FISHER. Madam Chairman and Members of the committee, it is good to face you again. May I say that I know that my distinguished colleague, Dr. Whiting, and I both profited from the exchange and no apology is necessary.

I am here today representing the American Association of State Colleges and Universities. My school is a member of that association;

I support its policies and its programs. I should also tell you that my school is one of the 76 public schools that are members of the American Association of Colleges, the association that preceded me in testimony.

At present ASCU includes 276 State-assisted public 4-year colleges and regional universities in the Nation which are members of this association. These schools constitute the fastest-growing segment of 4-year institutions in the United States in terms of enrollment of students. Today schools of this type enroll 22 percent of all students in the country, and projections indicate they will enroll 30 percent by 1980, so we are growing and growing rapidly.

Each year they graduate approximately half the newly trained teachers. They have over the years built a strong tradition of service to their local communities, regions and States—by providing quality higher education at low cost to students, and by offering their resources in directly serving regional and community needs.

Of the association's schools, 18 are attended predominantly by black students. About 100 of the schools, including my own, serve urban areas. Many offer comprehensive educational opportunities ranging from 1- and 2-year occupational programs through doctoral programs.

Today, as many children from lower and middle-income families are becoming the first from their families to enter college, the role of these low-cost regional colleges is growing in importance. These students are in positions similar to that of Wilson Riles, the new California superintendent of public education, when he was a young, black orphan. He moved to Arizona, where he enrolled in Northern Arizona University and earned bachelor's and master's degrees. He recently told a reporter, "I would never have made it had that school not been there."

Enrollment figures tell part of the story. Of all segments of 4-year higher education, public colleges enroll the highest proportion of new students from families with less than $4,000 annual income, a study of 1970 freshmen showed. Almost 6 percent of these colleges' freshmen came from such families. The same was true for new students from families in the $4,000 to $10,000 bracket. The figure here was 35.1 percent.

Despite this important and increasing contribution to education of those who need most to take economic advantage of a college education, State colleges and regional universities have found it increasingly difficult to obtain adequate funds.

They are caught in the squeeze on their traditional primary source of money—that is, State general revenue budgets. States today face new demands on their resources now that court decisions have established new standards for welfare support. And now, demands are being made from new quarters within education itself. Local junior colleges are asking for State money to supplement income from local property taxes. Private colleges are entering the picture in many States, including Maryland, and are arguing that they need general State support.

Legislators often sympathize with the needs of these segments of the public but are hesitant to raise new tax money for understandable reasons. The net effect is that State colleges and universities often are served a smaller slice of a pie that stays the same size. When this pie is the main source of nutrition for these schools, the result is hunger.

The hunger pangs are exacerbated by two factors. One is the familiar villain, inflation. In countless cases around the country, apparent increases in appropriations to State colleges are wiped out at least in real dollar terms when inflation is considered. In many cases, the combination of inflation and increased enrollment makes the school's position worse despite apparent appropriations increases.

The second factor can be called reverse revenue sharing. For an illustration of how this works, take President Nixon's proposal to assist an additional 250,000 disadvantaged students into the Nation's colleges. The opportunity grants proposed by the administration would provide only for student-borne costs of education each student—approximately a quarter of the total cost. You have discussed this today. Thus, the States would have to foot the bill for the remaining three-quarters of the cost. This would amount to approximately $300 million for the 250,000 additional students—which is $300 million of additional State funds that the States will be hard put to raise.

There is a certain irony in this net effect. First, let me note that we in the public sector of higher education place little hope in getting help in the near future from the effects of current revenue sharing proposals. We assume that any benefits from such a plan, if any such plan is put into effect, would be channeled into alleviating the financial plight of cities and other needs of the various States. Thus, we must assume that State appropriations to colleges are not going to suddenly increase at least any time soon.

Those of us responsible for administering public colleges will continue to be faced with the same sort of choice we have now: either reduce the quality or extent of our programs, or enroll fewer students, or increase tuition charges. Any of these expedients would shortchange the very students we are helping to go to college through Federal student aid.

The disturbing part of the picture is that State institutions are using these very expedients today. Serious cutbacks have already been necessary at many schools in our association, and the valued principle of low tuition is being challenged in many places.

In a report our association issued last September, we noted several examples, including these:

Winona State College in Minnesota postponed a planned specialist degree program, discontinued its special education certification program because it could not hire enough faculty members to teach additional courses required under revised State regulations, and reduced its offerings in French to 1 year.

Stout State University in Wisconsin cut a planned advanced degree program, reduced its student advisory program, and cut back the number of campus jobs available to students.

Central Missouri State College cut its faculty by 20 positions, while several other schools increased their student-faculty ratios.

In recent weeks, as State legislatures have begun to consider budgets for the coming year, this association has received reports from several States that indicate serious trouble for State colleges. Here are some examples:

1. In California, the Governor's proposed budget for the State colleges calls for a 10.9 percent increase in enrollment with only a 1.7 percent increase in State support. As the head of the United Professors of California has pointed out, this means that, correcting for inflation, the colleges would be asked to accommodate 10.9 percent more students with 4 percent fewer real dollars.

State Colleges Chancellor Glenn S. Dumke has projected the following effects of this proposed budget:

Certain courses and classes will have to be cut.

There will be larger classes and increased faculty workload. The budget allows for 250 fewer faculty positions than the current year.

The lack of a salary increase for faculty and staff will be keenly felt, especially after funds for a salary increase were cut from the 1970–71 budget.

Several programs will be curtailed sharply, including the teacher education program, the master's program in social work, the program to provide the opportunity to study abroad, and instructional television. One especially serious cutback would be in the educational opportunity program, which provides special financial help for students from minority backgrounds who could not afford to go to college without such help.

Some programs will probably be cut entirely, such as joint doctoral programs with other institutions, the laboratory school at San Francisco State College, and the program for research and creative leave.

Foreign students will have to pay greatly increased fees immediately.

Many important buildings, to be completed in 1971 or 1972, will not be provided with the equipment needed to put them to use. At San Francisco State College, for example, President S. I. Hayakawa has noted that the proposed budget withdraws funds for equipment and supplies for a multimillion dollar biological sciences building, now almost completed. "We may have to padlock the brand new building in September," he has warned.

2. An austerity program for the remainder of the present fiscal year has led to a ban on new hiring and out-of-state travel in the Wisconsin State University system. Some campuses, such as the one at Whitewater, will be allowed fewer faculty positions next academic year.

3. Rhode Island College would receive only a 9.1-percent budget increase under the board of regents' proposal, but faces an enrollment increase of at least 10 percent—the same as it has accommodated for the past 3 years. An increase of 6 percent in operating the capital equipment budgets was intended to do no more than cope with inflation; yet, President Joseph F. Kauffman has noted, "fuel oil for the RIC heating plant, is already 60 percent higher than last year."

4. Southeast Missouri State College, faced with a financial squeeze because of the defeat of a State tax referendum last year, will have to increase the size of many classes. Like many other schools, it is hampered by the obligation to retain all tenured faculty even though fewer courses are needed in some departments, more in others.

5. State college presidents in Arkansas recently told alumni of their institutions that funds that should have been used for operation and maintenance had to be used for faculty salaries—a priority which, incidentally, I endorse. Among other critical lacks in that State:

Many Federal programs which require matching funds cannot be utilized because such funds cannot be raised.

The system is expected to enroll 5,000 more students in the next biennium, and an additional 15,000 by 1975. But no new classroom construction has been undertaken in the past 3 years, and there is no money to employ additional faculty and staff.

6. Many States are considering increases in tuition charges to students, despite the likely effect this will have of pricing college education out of reach of many families. Besides Illinois, which has been mentioned, these States include Washington, New York, New Mexico, Minnesota, and discussions to increase tuitions are going on in many, many States.

It should be clear that State colleges generally are already straining their resources—utilizing their facilities much more and operating far more efficiently than most private schools, requiring significantly greater teaching loads in many cases, and providing higher faculty-student ratios. A study last year in Tennessee, for example, found that there were 20 students to each faculty member in State colleges, while there were only 10-to-1 in private institutions.

Why should students at State colleges—primarily students from lower income families—be deserving of less contact with teachers?

How can this situation be alleviated? We have been discussing this. To start, I would like to point out that the recent National Science Foundation report on the amount of Federal obligations in categorical grants to each institution of higher education in the country shows that institutions of the type our association represents received only 6.7 percent of the total from all agencies in fiscal year 1969. This figure includes 8.5 percent of the total HEW obligation, and 5.2 percent of all National Science Foundation obligations.

I ask you to recall that our institutions enrolled 22 percent of all students. The disparity of support and the unmet need become increasingly obvious.

The most effective way in which the Federal Government can help these public colleges meet their important, increasing responsibilities to the low- and middle-income students they have always tried to serve is to provide institutional grants. These will help hire the faculty, provide the staff support, and build the facilities needed to offer first-rate education to the students we are encouraging to enroll, the students we must accommodate.

Unless we do what is necessary to maintain and improve the quality of our offerings, and keep tuition low to avoid pricing many students out of the market, we will run the risk of perpetrating a fraud on our youth and doing a disservice to America.

My associates and I will be pleased to respond to questions.

Mrs. GREEN. Fine.

Would you like to make a statement, Dr. Whiting?

STATEMENT OF ALBERT WHITING, NORTH CAROLINA CENTRAL UNIVERSITY, MEMBER OF THE BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF COLLEGES AND UNIVERSITIES

Mr. WHITING. I did not come prepared to present a formal proposal but I would like to add an extemporaneous addendum to this statement about the black schools which I represent and particularly the black State-supported schools if there is time. I am reemphasizing some of the points that Dr. Fisher has already made.

The problem of financial aid is a staggering problem in the black institution, as you already know. At my institution, for example, eight and a half out of every 10 students are on some form of financial aid, and increasingly we are experiencing difficulty in getting the matching funds to match Federal funds, so much so that when this 100 percent money was made available for Negro institutions this past fall we were not able to take advantage of it. The reason was that it was predicated on the assumption that you must first use your 80-percent money, and we were not able to use the 80-percent money because we could not get all the matching money. This is a tremendous problem in the black schools.

The problem of salaries has become increasingly critical because many of our schools are now the happy hunting grounds for the larger integrated universities, and consequently we are forced to compete with universities offering larger salaries. That money just is not in the State salary scales, and there is no way to get it unless we go out and raise extra money. Of course, you all know that philanthropic institutions do not like to give money to State-supported institutions, and this is a problem.

We have a tremendous problem which I know you all know about and I would like to reiterate, and that is the high cost of compensatory and remedial education. I think that you know that the black schools historically have been performing this function very commendably. It is what I call a repair and salvage function and it has produced very excellent results but only at a high cost. Our institutions need direct grants from the Federal Government to help us bear this burden.

Also, with reference to new programs, many of the Carnegie reports and the reports from the Southern Regional Education Board have indicated that the black schools need to expand their curriculum offerings, but we cannot expand our curriculum offerings particularly in the State schools because it is almost impossible now to get funding from State sources for new programs.

At my institution, for example, we would like to broaden our offerings in business administration and accounting. We would like to broaden the offerings of our school of library service to develop programs to prepare librarians for preschool education work, but we just can't get the funding for it from the State. I am now trying to seek foundation funds, but, to date, with no success.

My problems are similar to the other State supported institutions.

Finally, I want to indicate that it has been necessary for us to limit our enrollments simply because in the State institutions we are geared to a teacher-student ratio budget. For the numbers of students that exceed this ratio we get no teachers unless we find funds to pay for them ourselves.

I think I simply have indicated and reemphasized some of the same problems which President Fisher has mentioned, but with reference in this focus to the black institutions. We would be happy to answer any questions that you have for us.

Mrs. GREEN. I thank both of you.

One part of the administration bill which I do think is helpful is the increase for the black colleges with the 23 percent set aside for community colleges.

Mr. **Fisher**. Yes.

Mrs. **Green**. I am not sure of the percent the junior colleges have gotten for preceding years, but when that part of the bill came out the House did not want the community colleges in that particular program because we spread the limited funds too thin, but I do think that this is a step in the right direction.

Let me ask you, either Dr. Whiting or Mr. Fisher, has there been any public college that has closed its doors because of lack of financial funds?

Mr. **Fisher**. I know there have been many public colleges that have curtailed enrollment.

Mrs. **Green**. That is not my question.

Mr. **Fisher**. As far as closing doors, I know of decisions not to open schools that have been planned in various States, but I know of no school closing except through merger with private schools. For the most part, that has been designed to benefit the private rather than the public school.

Mrs. **Green**. I asked that question because I do know of private schools that have closed their doors, they have gone out of existence, and from the testimony it has seemed to me that the private colleges are in greater financial need. I think it would be disastrous in terms of the national interests to see our private colleges close their doors. I think the strength of higher education is in the dual system of the private and public schools. I am not questioning your statement, I understand the situation of the public colleges and the problems that they face.

Mr. **Fisher**. There is no intention on our part to deny the needs of the private sector. However, at the present time in my State, and I know that I can speak for the great majority of States in the Union, public schools like those that I am representing are not adequately supported. Our costs in terms of unit costs—I am referring to maintenance costs and construction costs—are considerably lower than other 4-year institutions. We could assume availability of public support in order to consider these kinds of comparisons in terms of allocations. Do not misconstrue anything that I have said—and I am certain I speak for Dr. Whiting—it has not been my intention to deny the needs of the private colleges.

Mrs. **Green**. If I may repeat Mr. Quie's question to the preceding witnesses, if we go to institutional grants, I assume that you would favor the same formula for public and private universities and colleges.

Mr. **Fisher**. I would say essentially yes, as I recall Mr. Quie's question.

Mrs. **Green**. You mean that qualifyingly?

Mr. **Fisher**. There are so many complexities, that I refer again to some classic propositions. I think there are some very enlightened arguments on both sides in terms of public support to higher education.

There are good, liberal and conservative arguments and arguments that I would rather not pursue, but there was a time not long ago when I was very much opposed to the thought. I am a graduate of a private institution and I have worked as a representative of a private institution. As I stated, I am a member of the institution that preceded me in testimony. Further reading has lead me to a position of some equivocation. At the same time I am not completely supportive; I am not here to testify on that behalf, Mrs. Green. I appreciate the question.

Perhaps Dr. Whiting would like to pursue it. As for my own position, as I have indicated, I would be pleased to discuss it with you at lunch.

Mrs. **Green**. To minimize, I would say your answer was a bit ambiguous.

Mr. **Fisher**. Intentionally so.

Mrs. **Green**. I might add to it that as far as the Congress is concerned, when we were considering the Higher Education Facilities Act careful research showed that the Congress had never in the history of aid to colleges and universities treated private colleges differently than we have treated the public.

In the administration proposal where we do provide the educational opportunity work study subsidies and NDEA loan and then the recommendation for the additional $1,500 subsidized NDEA loan explained as a device to make it possible for the neediest student to attend the most expensive college? Though Mr. Richardson I felt was almost as ambiguous as you have been this morning in his response, I assumed that the administration was equating quality with the most expensive school; otherwise, I could not see any justification for it and I would have to take exception.

Do you think it is either in the national interest or in the taxpayers' interest—and especially I am thinking of middle class income taxpayers—to make it possible for the neediest student to attend the most expensive college and receive an opportunity which the middle income student does not have?

Mr. **Fisher**. I tend to share with you a concern about the neglect of the middle income group of students. I would answer your question yes, that there is a need to underwrite the lower income student.

Mrs. **Green**. There is a need to underwrite him so he can go to the most expensive college?

Mr. **Fisher**. I think it should be possible, yes.

Mrs. **Green**. Why?

Mr. **Fisher**. I say that the present bill does not go far enough.

Mrs. **Green**. Why is there a need? I think I fully subscribe to that as a matter of national policy. It is essential that we make it possible for any qualified student to obtain postsecondary education. I am at a loss to understand why it is necessary to make it possible for the neediest student to go to the most expensive college. You have just stated the excellent education that you people offer in the low tuition schools.

Mr. **Fisher**. And I continue in that position. At the same time I think that there are some—forgive the play on words—obvious subtleties that are present in terms of inequities in our educational system. I think that some of those inequities can be treated, alleviated hopefully, by Federal involvement; first consideration, and then, hopefully, some amelioration. I would like to think that a student who is qualified is able to attend virtually any school in the United States regardless of cost or price.

Mrs. **Green**. Everybody or just the needy? Everybody ought to be able to go to the most expensive college?

Mr. Fisher. Ideally, yes, but at this point because of the inequities in our present system, inequity about which we are all concerned, I think the priority should be based at the first level and that is the lowest level. So if I were establishing priorities in terms of the broad economy, I would put my priorities at that level.

Mrs. Green. Then you are saying that you do support the administration's request to make it possible for the neediest student to go to the most expensive school, courtesy of the taxes which the middle income people pay?

Mr. Fisher. I support the preamble, the introduction, the spirit of the administration's bill. I don't believe that the proposal goes far enough. I am also concerned about the limit, knowing that students from lower income families are even more reticient, more reluctant to borrow money than many of us realize. Assuming the limit on a grant a student will be very reluctant to borrow the additional funds to attend a school regardless of its reputation or name or its potential in terms of access to an important position in our society.

Mrs. Green. I have no other questions but I am uncertain as to how my colleagues in the other party want to be recognized, Mr. Quie or Mr. Dellenback.

Mr. Quie. Let John go first.

Mr. Dellenback. I defer to my colleague any time.

Mr. Steiger. We will both go first.

Mr. Quie. John first.

Mrs. Green. You decide.

Mr. Dellenback. Madam Chairman, thank you very much.

Let me ask you a couple of questions. Mr. Fisher, do you have a rough idea of what percentage of your total budget has been received from the Federal Government one way or another in recent years?

Mr. Fisher. Yes. Over 35 percent.

Mr. Dellenback. Thirty-five percent comes from the Federal Government and then how, roughly again in broad classifications?

Mr. Fisher. About 60 percent general revenue form the State and the remainder from a variety of other sources.

Mr. Dellenback. What about student contributions? That I assume is included in your 60 percent.

Mr. Fisher. It would be included in the 60 percent.

Mr. Dellenback. How would it break?

Mr. Fisher. Roughly 15 percent.

Mr. Dellenback. Student contributions?

Mr. Fisher. In rough figures, yes.

Mr. Dellenback. So it is approximately 35 percent from the Federal Government, 15 percent from the students, and 45 percent from the State?

Mr. Fisher. I am including both operating and capital figures, capital referring to buildings and operating to the ongoing program.

Mr. Dellenback. If my recollection on this is correct, that is considerably above the national average as far as Federal contributions are concerned, but in any event that is approximately your breakdown at the present time.

Mr. Fisher. I believe that the figures I have used combine several sources. The 35-percent figure is not accurate, I will check these figures and correct them in a letter to this committee.

Mr. **Dellenback.** You indicate in your testimony, President Fisher, that institutional grants are the type of aid that you would call for increasing amounts from the Federal Government. Would you put that type of aid at the top of the list? You heard our prior comments and you understand that a number of us feel very strongly about institutional aid, but I am trying to get a relative evaluation from you. If the Federal Government were to move into student grants, student loans, categorical Federal aid to various programs, institutional aid, how would you rank these? What would you put at the very top?

Mr. **Fisher.** Institutional grants.

Mr. **Dellenback.** Above the student aid?

Mr. **Fisher.** Definitely. My problem, and one undoubtedly shared by others, is not being able to accommodate those students who want to enroll. The institution must maintain a balance and the balance is not there today.

Mr. **Dellenback.** So when the Jellema policy ranks it down to about third or fourth on the list——

Mr. **Fisher.** I don't——

Mr. **Dellenback.** Mr. Jellema put institutional grants directly to institutions as second on the list but you put it at the very top.

Would you agree with that, Dr. Whiting?

Dr. **Whiting.** Yes.

Mr. **Dellenback.** I will leave it at that, Madam Chairman, in view of the timing. I wish we could go on.

I personally express our appreciation for your being here. Your testimony has been helpful. I wish we had more time.

Thank you, Madam Chairman.

Mrs. **Green.** Congressman Quie.

Mr. **Quie.** How many of your students need remedial or compensatory work, Dr. Whiting?

Dr. **Whiting.** I can tell you first what we feel. About 15 percent of our students are definitely assigned compensatory work but there is no measure of the need. I would say that about 40 percent of the students really need it.

Mr. **Quie.** About 40 percent need it?

Dr. **Whiting.** Yes.

Mr. **Quie.** That is quite an indictment of the secondary school.

Dr. **Whiting.** Yes.

Mr. **Quie.** Probably the elementary school, too. It seems to me that we ought to be putting plenty of remedial or compensatory effort on those who want to attend college.

How about those who are low income and therefore receive EOG grants? What percentage of them would need the compensatory or remedial work?

Dr. **Whiting.** I think it would be about the same rough percentage. I don't think just because they are low income it makes that much difference, not in my area at least.

Mr. **Quie.** Now let's consider institutional grants. There are two basic concepts that have been proposed and at this juncture it appears the one that I have proposed will be considered. It would be an effort to provide a grant assuming that a cost of education supplement is necessary for all the students.

The other concept is for the cost of education allowance to follow the federally supported students whether EOG or the work study.

Now what would your preference be of those concepts if you could assume the same amount of money available nationally in either case?

Dr. WHITING. In my particular case, I would prefer the arrangement where we would get the money based on the number of students from the low-income area and those who have to depend upon EOG.

Mr. QUIE. Why do you say that since you say only about 15 percent of them need compensatory education so therefore only 15 percent would have needs different than the population in your school?

Dr. WHITING. We have many more though under EOG grants that are probably in that category. I said 15 percent was what we took, but about 40 percent need the aid.

Mr. QUIE. You said it was not any different between the low income and the others.

Dr. WHITING. No. I remember now that 85 percent of our enrollment is low income in terms of the total student body. My situation is different than President Fisher's.

Mr. QUIE. Maybe I see another reason why you would answer that way. You would get a greater percentage out of the total package that way.

Dr. WHITING. Yes.

Mr. QUIE. Mr. Fisher.

Mr. FISHER. Mine would be for general support, because of the nature of my student body. I represent a program that is designed to attract members of the disadvantaged community, most of whom are black. I am located in an urban area that is ostensibly white, and it is a very difficult task.

We have been able in 2 years to triple our enrollment; nevertheless, we still don't approach what we need to do. We have a problem in terms of funding in the State. As I indicated in my presentation, we call it an integration program but my school was accorded last year only $39,000 for this purpose. There are many very fundamental changes that must be made before the kinds of opportunity programs that I represent can actually function. We are moving, but we are certainly not satisfied.

Mr. QUIE. I didn't understand what you meant about your preference to provide the cost of education or the institutional allowance only on the number of students who get Federal support or to provide it for the total enrollment for the school.

Mrs. GREEN. Would the gentleman yield?

Mr. QUIE. Yes.

Mrs. GREEN. Are you speaking as an individual now or are you speaking as an association?

Mr. FISHER. I speak as an individual.

Mrs. GREEN. What is the association speaking as on Mr. Quie's question?

Mr. FISHER. I would defer to Mr. Alan Ostar who is here.

Mr. OSTAR. The association has not taken a formal position on Congressman Quie's bill. It does support the concept of institutional aid and it does support any reasonable formula. We want to establish the principle of institutional aid and we will work with anyone regarding a reasonable formula. We have not responded to a specific formula.

Mrs. GREEN. If my colleague would yield further.

Mr. QUIE. Yes.

Mrs. GREEN. May I just suggest that this kind of an approach bothers me because once you get a formula established in legislation it becomes embedded so strongly that even though there are a dozen other formulas that are better, you can never change. I have called people on the phone and discuss this very point and their answer has been the same as yours—they are so interested in institutional aid they will accept any formula that is available. I just do not think that is a responsible position for higher education to take.

May I also say to my colleague if he will yield further that we are going to get half a dozen alternative proposals that the land grant colleges have studied, but I really would urge this association and others in higher education to get off that kick, "We will take anything."

Mr. QUIE. What this whole thing boils down to——

Mrs. GREEN. I say this with very friendly intent.

Mr. QUIE. What this whole thing boils down to, I think, is that each one will want a formula that gives him the largest amount, the lion's share of the money. Now I think private institutions could make a case that they are in more difficult financial straits then anybody else, but I doubt this Congress is going to give something special to them over and above the public institution. But by the same token, I certainly think it would be unfortunate if the public institutions would use their power and strength to make certain that they get the lion's share of the total amount of money and the private institutions would come in and get only a small portion.

Now I can understand your individual feeling on this but this is the real deep concern I have about the formula we are finally going to have.

Mrs. GREEN. Would my colleague yield?

Mr. QUIE. Yes.

Mrs. GREEN. Did I understand you to say you did not understand this Congress would give anything to the private institutions?

Mr. QUIE. Yes.

Mrs. GREEN. I am delighted to hear you because if we make it possible for the needy student to go to the most expensive college, that means the private colleges.

Mr. QUIE. No, I don't think that the institutions gain anything from that.

Mrs. GREEN. The most expensive institutions.

Mr. QUIE. Treats them differently. We have done that in the past to some extent, but that is only assistance to the student.

Mrs. GREEN. Repudiating the administration's recommendation.

Mr. QUIE. No, I think the administration has made a change from the presently existing recommendation. Now the student can get grants for the expensive institution under the administration's proposal at least to subsidized loans.

Mrs. GREEN. It is a question of semantics. What is the average EOG, $279?

Mr. QUIE. What is the highest? They are giving $1,000, I guess it is, to the highest cost institution. That is more than they are going to give to anybody under the proposal of the $1,500 subsidized loan.

Mrs. Green. You have not converted me. Keep working.

Mr. Quie. I will.

That is all I have.

Mrs. Green. Congressman Steiger.

Mr. Steiger. Just very briefly, Madam Chairman.

President Fisher, what would be the percentage of entering freshmen who do not complete 4 years in education at your institution?

Mr. Fisher. In terms of recent studies, the first year attrition is in the neighborhood of 18 to 25, 26 percent. This is not a real figure, however. There have been more comprehensive studies that indicate that over the long range, over a period of time beyond 4 years, the figures change. We tend to think of higher education in 4-year chunks. We have been so conditioned by experience in education that if you examine the freshmen that enter at a given time and look at what he is doing in 6 or 7 years, sometimes 10 years, you will find he has graduated from college. But we can no longer harken to the classic thought that as many as 25 percent of those entering college do not graduate. I cannot give you the exact figure at my institution, but I know it is considerably less than that 25 percent, 26 percent figure.

Dr. Whiting. Over a 4-year period, at our institution the attrition rate is over 60 percent. That is very high and that is peculiar to the black institutions. I think in the Nation as a whole the attrition rate over a 4-year period is probably close to 50 percent.

Mr. Steiger. Mr. Fisher, one statement that you made in your testimony on page 4 concerns me somewhat. It is that you seem to face some choices. I wonder whether you have listed all of the choices. The choices you list are either to reduce the quality or extent of your programs, to enroll fewer students, or to increase tuition charges.

I would suggest that there may be other choices that one could conceivably make. One could list hosts of other considerations very easily.

Mr. Fisher. I support your statement completely.

Mr. Steiger. Thank you. No more questions.

Mr. Fisher. Knowing that I am very positive in affirming your last statement, I submit that it is not whether a student graduates from a given college, it is whether he graduates from college. Today the research in the area is not specific enough to answer that question with any real authority.

Mr. Steiger. I understand that.

If the Chair will allow me, the reason I asked the question is because I think we do have to look at alternative grant proposals. It seems to me, one factor is the question of the attrition rate that takes place. The Quie proposal is that it is through graduation whereby you get your money. I am not persuaded, frankly, that this is the basis on which you ought to grant it. This is why I raise the question.

Mr. Fisher. Definitely.

Mrs. Green. Thank you very much, President Fisher and Dr. Whiting. We appreciate your patience and contribution which you have made.

The committee stands adjourned until tomorrow morning at 10 o'clock in room 2257.

(Whereupon, at 12:20 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, March 4, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

THURSDAY, MARCH 4, 1971

House of Representatives,
Special Subcommittee on Education, of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Brademas, and Ruth.

Staff members present: Harry Hogan, subcommittee counsel.

Mrs. Green. The subcommittee will come to order for the further consideration of the higher education legislation which is under the jurisdiction of this committee.

STATEMENTS OF DR. AMO DE BERNARDIS, PRESIDENT, PORTLAND COMMUNITY COLLEGE, PORTLAND, OREG.; STATE REPRESENTATIVE FRANK ROBERTS, MEMBER OF THE BOARD, MOUNT HOOD COMMUNITY COLLEGE, GRESHAM, OREG.; JACK E. BROOKINS, PRESIDENT, SOUTHWESTERN OREGON COMMUNITY COLLEGE, COOS BAY, OREG.; LOUIS HERKENHOFF, VICE PRESIDENT, MOUNT HOOD COMMUNITY COLLEGE, GRESHAM, OREG.; HENRY TIANO, CHAIRMAN OF THE BOARD, CHEMETKETA COMMUNITY COLLEGE, SALEM, OREG.; BILL SHARP, FACULTY MEMBER, SOUTHWESTERN OREGON COMMUNITY COLLEGE, COOS BAY, OREG.; AND DAVID SPOONER, ASSOCIATE DEAN FOR COMMUNITY SERVICES, MOUNT HOOD COMMUNITY COLLEGE, GRESHAM, OREG.

Mrs. Green. I am particularly pleased because it seldom happens that we have a group from my own State of Oregon representing the community colleges, both as presidents of community colleges and as board members for community colleges, and I am going to ask you gentlemen—and I have one regret: there is no lady present in the community college group—but I ask you gentlemen to come to the table and operate as a panel, if you would.

It is my understanding, Mr. Brookins, that you are going to be the moderator for this panel.

Before I turn to you, Mr. Brookins, I want to introduce my colleagues who are with us today. To my right is Congressman John Brademas from Indiana, who has been on the subcommittee for higher education for several years; and to my left is Congressman Ruth from North Carolina who joined the subcommittee this year. I believe that other members will be coming. In addition, we have with us the minority and majority counsels.

The ranking Republican on this subcommittee on Higher Education is my colleague and very good friend, John Dellenback, from Oregon. After our breakfast meeting yesterday, when I learned it would be possible for you gentlemen to stay over and testify today, I advised John that you would be testifying this morning. He expressed great regret to me at that time that commitments in Oregon would prevent him from being with us. He has had delivered to me the following letter. He says:

> I am delighted we are giving our friends from Oregon an opportunity to testify before this subcommittee tomorrow morning and, as you know, I am particularly interested in community college development and I value the advice you gentlemen have given me. I very much regret that prior commitments will keep me from hearing your testimony in person, but I look forward to reading your comments.

With that, I will turn it over to you, Mr. Brookins, to introduce, not only for my colleagues and myself, but also for the record, the people who accompany you.

Mr. BROOKINS. Thank you, Mrs. Green and gentlemen.

We are pleased to have the opportunity to be here this morning.

I would like to introduce, on my right, Dr. Amo De Bernardis, president of the Portland Community College, Portland, Oreg.; State Representative Frank Roberts, member of the board of Mount Hood Community College, Gresham, Oreg.; and Dave Spooner, associate dean community services, Mount Hood Community College, Gresham, Oreg.; Mr. Henry Tiano, chairman of the board, Chemetketa Community College of Salem, Oreg.; and Louis Herkenhoff, vice president of Mount Hood Community College; Bill Sharp, faculty member, Southwestern Oregon Community College, Coos Bay, Oreg.

There may be one or two more people coming in. There have been some problems with taxicabs this morning.

Mrs. GREEN. And the gentleman who is speaking is Mr. Brookins, president of the Southwestern Oregon Community College.

Mr. BROOKINS. Thank you.

We have asked two of the people with us to make some remarks this morning, Mrs. Green. Dr. De Bernardis will make some initial remarks and then our friend, State Representative Frank Roberts, will follow him.

Mrs. GREEN. Very good.

Dr. De Bernardis?

Dr. DE BERNARDIS. Mrs. Green and members of the committee, it is a real pleasure to be here and a privilege. I apologize for not having a prepared statement but we only knew about it yesterday morning, also, so we will talk from notes.

As you people know better than anybody, this matter of higher education and the matter of financial assistance is one that those of us in the community college are very much concerned with. The idea of equal opportunity and equal access to education for all is an ideal which we all strive for.

Our problem, it seems, is that too often when we think of educational financial assistance for students, we think of the traditional concept of students, a full-time person in school 15 hours each term.

I am here to present for this group a discussion of the part-time student and his relationship to our institutions. He is the forgotten person, as we see him, in the education structure when it comes to financial assistance.

I would like to talk from some personal experience in our discussion, which I am sure would be an example of all of the institutions here and probably any other community college which is truly comprehensive. The formal community college and institution serves about 750 miles. That is our attendance area. It is a completely open-door college and when we say "open door" we mean exactly that: that anybody, no matter what previous experience educationally, socially, economically, can come for education, and we try to fit him in a program which will fit his needs and abilities. We enroll roughly each year 23,000 different people. These people range from age 15 and 16 to 18.

That is quite a different concept as you look at education as we normally think about it. About 50 percent of these people—23,000 people—are part-time students in the true sense. They may not be enrolled in traditional academics, I should say in quotes, but they are enrolled in a program less than 15 hours. We think it is important when you look at financial assistance.

Our problem, and I think it is a problem of most of the community colleges, is that this part-time student cannot get financial assistance unless we have some in the local community budgets. Who are these people? Again, I think of the full-time people. Who are these students? They are the disadvantaged who are getting into school perhaps, for the first time, and they need help.

They are trying to get into the system, trying to get into the mainstream. They include the dropout who dropped out some place along the line and is trying to come back and make another try. They include women who have lost their husbands, and whose families are now grown and they are looking for gainful employment without skills. We have many workers who are seeking better skills, new skills, so they can get advancement or other employment.

We have the students who must work part time to stay in school. They constitute a special problem.

Another student that we don't think of many times is the student who comes from a middle-income family, whose family already has two or three in college, and this puts a financial drain on the family and we have no way of helping him.

Now, the scope of the problem might be brought out in this way. Of the students we now have at our institution, 1,000 of them would qualify for the educational opportunity grant definition of needing financial assistance. We can only supply assistance at the present time to about 700. We have in this particular quarter about 2,500 students on deferred tuition, not having enough money to pay for tuition, and we deferred it hoping some day to get the money. We worked on the idea that we will not deny them even though deferred, but some day it has to be paid up.

We have another problem of student assistance we don't think of normally in this category. We have 1,700 veterans in college right now in this quarter, but because of the arrangements of getting this money they have 3 to 4 months without income. They don't get their payments, so we have to carry them. We have no way of providing this unless we can provide some assistance through local funds and these are not very great.

Sometimes we have heard people say that students are not really out to get an education: They want it given to them. We have over 1,500 students we have placed in part-time jobs in the community, but that same number are now waiting for a job. There are 1,600 students who need jobs or funds to continue their education.

In calling to the college yesterday to verify the number that leave because of financial reasons, we found we have over 400 that leave each year, and not because of deficiencies in grades or lack of goals or commitment, but they just don't have enough money to stay in school.

Mrs. **Green**. What kind of students?

Dr. **DeBernardis**. These are part-time students. There may be a few full time, but we would have to break that out.

We believe that to take a true look at the student assistance you have to consider part-time students, especially at the community college. He is about 50 percent of the student body. We also believe there ought to be more flexibility in the way grants come to institutions. We understand some of the problems that have been built around that. It is the delay in getting assistance to the students that I think negates sometimes the help we would like to give him. I think we need to combine various sources so some students can have combinations to stay in school.

Many of the students have families, and sometimes we forget about that. They are working and trying to go to school. Some of the energy these students put out to get an education is phenomenal. We believe that the institution must be given at least the credit for some integrity in handling of these funds.

In summary, in terms of the part-time student, again, I would like to emphasize that he is a bona fide student, although, he does not carry 15 hours. He is trying to upgrade himself. Many of these fall in the area of the disadvantaged and many in the minority groups, needing more tuition and books, and who need, as we very often said at our institutions, to have their stomachs full before they can begin to learn. I would hope that any consideration to giving funds for financial assistance would take into account this matter of the part-time person at all levels.

Another thing I might say in summary, is this: that many times we think of the student in college today as a student from about 18 to 25. I think you have to start looking at students in the 35 and 40 and 45 age bracket, which is a new thing in higher education, especially when you think of the number we have in the community colleges.

Mrs. **Green**. Thank you very, very much. Mr. Roberts, may we call on you now, and then we will address questions to the entire panel.

Mr. **Roberts**. Thank you, Mrs. Green, and members of the subcommittee.

We certainly are pleased you took the extra effort to hear from us this morning. I think that it might be of interest if you realize that the community college, at least in our part of the country, and I know there are different patterns around the country, but in our particular part of the country the community college is a distinctly local State and local cooperative kind of enterprise.

I think the very fact at this National Conference of Junior Colleges, which we came to Washington to attend from Oregon, we have represented here out of 13 community colleges that we have in Oregon, I think, five presidents now here for this conference. We have representatives, members of the elected boards of about four of the community colleges from Oregon, participating in this conference. We also have representatives or members of the faculty or the administration of perhaps another four or five of the community colleges.

Indeed, in Oregon we have a community college association for the State which is today divided into sections, school board members, presidents, faculty, students, and classified personnel and they all operate as coequals in a four- or five-part State organization so that the community college movement in Oregon represents a cooperative activity among all of these elements in the community colleges.

I think you also recognize the fact that the pattern of community colleges in Oregon is one of very broad community citizen participation, not only in terms of the committees, the lay committees that are required for each of our vocational technical programs, but many of our community colleges do, as Mount Hood does, have a whole series of community committees that work with the colleges, advise them, and consult with them on a variety of the aspects of the community colleges.

We have a citizens curriculum committee and a citizens committee on development of our campus and we have a citizens committee on finance and we have a citizens committee on community services programs and this kind of thing, so this seems to pervade the whole pattern, and we think it is a very healthy thing.

As you know, we also have a significant proportion of the finances for our community colleges based on local taxes and based on local citizens as well as funds coming from the State, and I think this is significant.

I would like to draw from Mount Hood an additional example of the kind of thing that Dr. De Bernardis has been talking about in terms of the characteristics of the community college, at least in our area. Our median age at Mount Hood for our little over 7,000 students who are enrolled this term, is 24 years and again it represents a range of students, some who are still in high school but are enriching their program by taking courses with the approval of the high school at the community college before they have actually completed their high school program, and this ranges all the way up to citizens again that are in their late 70's who are coming back for a variety of programs.

Again, the pattern is one that the typical student does not go full time. About 55 percent, or I should revise that, about a third of our over 7,000 students enrolled this term are taking more than 12 hours a week, and 12 hours by some counts is regarded as full-time, so probably about a third of ours are full time.

There are various kinds of breakdowns to indicate that the range from a few hours up to 15 or 20 hours a week is normal and it is a little hard, therefore, to determine what the normal student is. I think that is the reason that we emphasize the importance of recognizing that the student, the serious student, engaged in post-high school education today, is very often not a full-time student and yet his financial needs are often just as great as the full-time student.

I think this pattern is particularly emphasized in the community college where the student can move rather easily back and forth from the classroom to work in the community and in other kinds of occupations, including some of the ones that so often in our society confine women, because they can't move easily from responsibilities that they have assumed in the home to the classroom.

About 55 percent of the students in our institution who are carrying 10 or more units of work a week are also employed either part time or very nearly full time.

Mrs. GREEN. What percent?

Mr. ROBERTS. Fifty-five percent of those carrying more than 10 units.

I might mention that a third of our students are married. It is a little more difficult to get precise, and many of these are not entirely precise although we checked back just to get current enrollments, to get some of these figures.

In 1969–70, 16 percent of our students, and these would have to be full-time students, of course, because the rule about assistance for part-time students is highly restrictive, but about 16 percent of our full-time students wanted and needed and were qualified for financial aid because of the family or parental income of less than $5,000.

This year we have about 700 students who are getting some sort of financial aid, including about 433 who are getting guaranteed bank loans.

We have about 700 veterans enrolled, and we run into the same sort of problems that Dr. De Bernardis referred to in the fact that so many veterans have their initial payments held up for 2 or 3 months and, therefore, are not only without money to pay their tuition but are often extremely economically strapped to even maintain themselves during that period in school.

There are a lot of different kinds of problems that all institutions have, and you have been hearing them from a number of places. I would say that our own experience has tended to reinforce and has tended to agree with the foundations for the recommendations made by the American Association of Junior Colleges in the area of legislation, and you will be made familiar with these from sources more authoritative than mine, but I would just stress the fact that certainly one of the principal things we find valuable to us in terms of carrying on a viable program is one of being able to get what we think is adequate support from the various sources for financing community colleges, and in addition to that, being able to predict this financial aid, because we cannot operate economically and efficiently, we cannot serve students, if we are unable to predict far enough ahead what are going to be the financial resources available.

I think this has been one of the major sources of waste, in all levels of education in recent years, the unpredictability of the sources of funds. I should say this is not just a matter of Federal funding, but it certainly has been the case in State funding, and in many community colleges in Oregon which depend upon local property taxes, the inability to be sure that the voters will approve tax levies has handicapped them severely.

We have been fortunate in our district the administration has been very careful in planning, has been very progressive in long-range planning, and has laid a sound foundation for its plans, and each time we went to the voters for approval of bond levies and budgets and tax bases, in every instance they have been approved. This has been a tremendous asset to us, which has not been available to some other institutions where they were limited in their ability to project future needs and then do careful planning over the long period of time necessary to meet those needs. So that when the students were there and needed the programs, we were, for the most part, able to meet them.

One of the major things we are concerned about in terms of Federal financing, as well as State financing, is the problem of soft money, this tendency to see the possibility of programs being encouraged, and we, wanting to be encouraged, obviously, starting the programs in terms of expectations of continuing funding at various levels, and then having a good deal, quite a good deal, of difference between authorization and appropriation.

Dr. De Bernardis has stressed the importance of more resources for student financial aid, and we think that there might very well be a variety of ways to help us to help students in the area of financial aid.

We already have indicated that college work-study funds have been inadequate, the restrictions which we have been under very recently in reducing the amount of aid we had available made it difficult for the students. The fact of the funding of work study being on a calendar year basis rather than fiscal tends to cause changes in commitments to students in the middle of the year.

A second problem is the problem of definition of full-time students, which tends to limit many students who need financial aid from getting it. We as a matter of fact, would be interested, and I know that there have been proposals made in this area, in a kind of designation of students who are available who are eligible for financial aid which can be made to the students through Federal agencies, so that a student might use this kind of system or voucher and go through the institution that he wanted to attend which offered the programs he needed, and thereby increase the flexibility available to students to go where the programs are that they need.

This, I think, would be helpful to the students, as well as perhaps eliminating some of the costly time-consuming operations that are involved now as the student enrolls in an instituton, not knowing whether or not that institution has sufficient work-study grants available to help him through.

He ought to know ahead of time, just as the institution ought to be able to tell him ahead of time, whether or not that institution has sufficient funds for programs.

In terms of financial aid to institutions, we, of course, as most other institutions, would sincerely hope that we could move more nearly to institutional grants rather than categorical grants, so that we might better respect the integrity of the administration of a community college, which essentially is based upon the theory of inventorying the needs in its own area and inventorying the resources available to a particular community college, and then offering in that area the most useful, viable program in terms of the needs of the people in that area, and obviously, the institutional grants in which the institution can put the funds where the particular needs are at a particular time and in terms of a long-term plan——

Mrs. GREEN. May I interrupt there?

Mr. Roberts wears three hats. He is on the board of Mount Hood Community College. He is also a professor at Portland State University, and in addition is a member of the Oregon Legislature.

Mr. Roberts, you ask for institutional rather than categorical grants for the community colleges. As a member of the faculty at Portland State University, would you make the same request for that institution?

Mr. ROBERTS. Mrs. Green, I think I would have no reservation in saying that I believe there are certain kinds of categorical grants which have to do with giving special support for developing programs, because a new institution, for instance, not having the resources accumulated over a long period of time—and this is so, as you know, of Portland State University, which I am associated with, which has only been in operation on a university type of program for a few years, and Mount Hood, which is a community college only in its fifth year of instruction of students—and these kinds of institutions do have special needs, and categorical grants which reflect those developing needs are obviously important.

But I would make two points. One, I think it is tremendously dangerous if an institution has to depend for its resources, or any significant proportion of its resources, upon categorical grants, because then the program is distorted, obviously, by the source of funds, which may not reflect local needs or local priorities. So while I see the importance of categorical grants in some of these areas, I think it is extremely dangerous when an institution depends for a significant amount of its ongoing program on categorical grants.

When this happens, an administration, a board, any of the authorities involved, find it extremely difficult to wiggle through the kinds of specific allocations of funds and the kinds of programs and somehow out of these discordant elements put together a jigsaw which will be a coherent program for the university or the college.

So when I am talking about the importance of institutional grants, I am talking about the value of institutional grants for the ongoing program of the college, for its gradual development and planning and long-range projections. I hope that I have made clear the distinction I see. I understand the difficulty of drawing that distinction in certain cases.

The community colleges in Oregon do operate largely upon the basis of institutional grants based upon enrollments of students, allocated by the State legislature on the basis of enrollments, and there are essentially no strings attached, and we recognize that source of funds as a part of our ongoing funding of the college. And the individual community college board and its administration can determine with few restrictions the kinds of priorities they ought to observe and how to use those funds. This, I think, is extremely important as an ongoing part of the funding of the college.

One particular area, and this is the last one I would like to mention, our community colleges in Oregon are comprehensive community colleges. That is, we are concerned with any aspect of education or training which might be needed by any people after the high school level, which suggests why our range of ages and occupations is so broad.

We are concerned with the whole area of post-high school education. Fortunately, at least in terms of the educational system in Oregon, we have that full responsibility. We don't have the problem of coordinating several different kinds of post-high school educational programs. This essentially is the function of the community colleges, other than the function which is performed by the 4-year universities and colleges.

So we are very concerned about the whole area of manpower training, training, and retraining for jobs and occupations. In this particular area, we are particularly interested in the importance of the consolidation of the sources of support for these kinds of programs which come from the Federal level.

We think it is very important that on the State level there essentially be one State agency which has the responsibility for coordinating manpower development programs in whatever shape and form they may take in the next few years—the funds and the programs, that is.

In fact, we think there ought to be a mandate from the Federal level of this kind of coordination and cooperation on the State level.

We recognize the fact that there are different kinds of systems in various parts of the country, but in our own area we have—since we have established this community college system, which does encompass a great variety of training programs—everything from the traditional kinds of preparation which is taking place in public schools, to training people in business, training people in the paramedical areas, in nursing, and our program also includes cooperation with the unions in the apprenticeship training, in which classes are conducted in our own institutions, using our facilities, on agreements.

Mrs. GREEN. Do you know what percentage of the manpower training programs are channeled through community colleges?

Mr. ROBERTS. In Oregon, I think Dr. De Bernardis could give the figure. Most of them are.

Dr. DE BERNARDIS. Yes; under MDTA.

Mrs. GREEN. On a systematic basis?

Dr. DE BERNARDIS. In Portland, it is very systematic now. As you know, the new funding program for MDTA made it possible for a center to be declared the "skill center" for the area, and the CAMPS committee of our area, which makes up people representing the whole area, placed that center in the community college and they do actually for the Portland area carry that one on, which is one of the big ones for manpower.

Mr. BROOKINS. As you know, I am on the Governor's Manpower Advisory Committee, and I would say 99 percent of the MDTA institutional training is done in the community colleges.

Mrs. GREEN. Is this in your area?

Mr. BROOKINS. In the entire State.

Mr. ROBERTS. As you will see, Dr. Brookins is the expert, certainly, in terms of the State coordination of this.

You are on two boards dealing with that.

Mr. BROOKINS. Governor's Vocational Advisory Council and Manpower Council also.

Mr. ROBERTS. I think, because I opened that one up, maybe you might want to pursue it with Jack, and this might be a good point for me to end. But I only want again to say that I think from our own experience in Oregon with the community colleges—and, as the chairman indicated, I have also been long associated with education on the higher education level—the community colleges are performing a distinct role.

In our practice, they are tremendously flexible. We are not wedded to holding to a specific set of programs. While we offer college transfers to students who might wish to take them, an inordinate percentage of them wish to; in spite of what we can do in terms of counseling and offering other opportunities, about 60 percent of our students are currently in college transfer programs, planning to go on to get a baccalaureate degree at a 4-year institution.

Still, we constantly work, and have a staff working, at developing and trying to discover vocational-technical training needs in the community and developing programs which will meet these needs. We now have 38 full vocational-technical programs, plus many options that students can take within those; we are developing even more, and these are of varying lengths.

We have no hesitation whatsoever to cooperate in any sort of manpower development programs or to cooperate with local industries or any other community interests who offer short-term programs of a special nature. We are not tied down to any particular "so many days a week and so many months out of a year" program. We make them of nearly any length.

So our interest is in offering any variety and any kind and any degree of post-high-school education for which there is a need in our community and for which we can get the resources to offer them.

Thank you, Mrs. Green.

Mrs. GREEN. Thank you very much, Mr. Roberts. I appreciate your statement and that of Dr. De Bernardis.

Since manpower training was the last point you touched upon, let me turn to it first in questioning.

What effect would the bill that was passed by the Congress last year and vetoed by the President have had on Oregon's manpower training programs and vocational education if it had become law? You will recall that it gave the first option to the mayors of the cities to establish a comprehensive manpower training program, and secondly, it would have turned over to the community action agency the possibility of developing a comprehensive manpower training program as well as public employment?

What would have happened to the manpower training programs in Oregon?

Mr. BROOKINS. Mrs. Green, I think it would have been utter chaos. I think the important thing is to know the position of the people in the State of Oregon on these programs, as opposed to the national level.

The Oregon State Federation of Labor opposed that bill. The Governor's Manpower Advisory Council opposed that legislation. The State department of education opposed that legislation. I think more importantly, the department of employment opposed that legislation.

We were not in favor of it. As you know, our little old State has 1 percent of the national population. We have a couple of urban areas, but a lot of rural areas.

Some of the requirements, in either version of the bill, as I recall—in southwestern Oregon, our two-county area of Coos and Curry Counties has a population of less than 75,000 people, and we could not have even met the criteria to set up programs. If we would have set up programs, and we need them, it would have to have been done through either community action or the Regional Council of Governments that simply do not have the knowledge or the ability to do it. So we would have had nothing.

That is true for a large part of the State. So, uniformly, people involved in the business in Oregon were opposed to those provisions.

Mrs. **Green**. Dr. De Bernardis?

Dr. **De Bernardis**. I would like to comment on it. I have strong opinions, and that is what they are. I feel it would be not only chaotic but work against the things you are trying to do; and one of the things we learned in our short history is if you are going to develop manpower, it ought to be developed within the framework that gives the individual the dignity of an institution set up to do it.

I am not saying it can't be done the other way. More important is the duplication of effort, of administration, of facilities, of equipment, of everything you want to name, and what we need is more coordination to make better use of the funds.

Now if we can't—in the community colleges or other institutions—deliver, then I think that is the time to take a look at it.

I know the comment has been made that the schools can't deliver. This was long before we had the kind of system we are now developing in community colleges. I think we can deliver and we have.

I think it would be disastrous to do it that way, not because I am in the education business, but I think for the very people you are talking about, the people who need manpower training, who need more than just a skill, who need something else—and I am not referring to the typical general education approach—but I am saying he has to have mobility within the system.

For example, we have people coming into the programs in the college, they see other things, and move and are able to go laterally to other jobs or training programs, or vertically, and we have had cases of this, and I think this is the kind of system, the delivery system we need in education for manpower.

I think the community colleges can do it. It got into the hands of the cities; I just don't think they are geared up to do this job.

Mr. **Brookins**. Could I make this point—although we have been blowing our own horn—under the present system, that there is waste and duplication of effort. I mentioned that I served on these two advisory committees to the Governor, so I take two trips a month to Salem, people come in from all over the State, and in the manpower committee and vocational committee we have almost identical agencies. I think that both on the National and State levels we need to pull education and manpower together to eliminate waste and duplication.

We don't have the human or material resources in our State to have this kind of waste and inefficiency. We do have some of it right now; the proposed legislation would have made it worse.

Mrs. **Green**. Is there agreement among you gentlemen here on Mr. Roberts' suggestion, with respect to the necessity of having one State agency coordinating all of the manpower development programs? Would you elaborate on that?

Mr. Roberts. I am sure probably that Jack can do it better than I—but I think we are saying that the kind of coordination we now have under the vocational-technical education fund is the kind of coordination that we would like to see under any fund for manpower development. In fact, as Jack indicated, we would just as soon not see a dual system of vocational-technical education setup.

Dr. Brookings had indicated to me earlier, for instance, in pointing out an example of this, that in fiscal 1969, vocational-technical education took care of about 7.9 million people who were enrolled in programs; and the Federal appropriation was about one and one-half, or $1.5 million.

Now, at the same time, the National Alliance for Businessmen's budget, which took care of 140,000 people, had $4.2 million spent on that program.

Now the suggestion here is that if you sort of channel these kinds of training programs through a single route, you might be able to get more miles for each dollar by eliminating certain things.

Mrs. Green. You use the figure of 7.9 million people in vocational-technical education. Does that include manpower training programs?

Mr. Roberts. No.

Mrs. Green. In the vocational-technical area, are these national figures?

Mr. Roberts. These are federally reimbursable technical-vocational education program.

Mrs. Green. And $4.2 million for 140,000.

Mr. Roberts. Right.

Of course, the vocational-education program is supplemented by State and local funds to a tune of about $9.9 million, so actually the kind of money you put into these "vo-tech" reimbursable programs also brings in matching, or in many cases, more than matching local funds, so that more money is put together in one pot to develop a viable program.

This is not so on many of the other kinds of manpower development funds which go through other routes and merely set up new programs which are largely financed, or more largely financed by Federal funds.

Our argument is that the kinds of vehicles we have developed for vo-tech programs, including the local institutions for it, can certainly be improved and strengthened and expanded, and new ideas can be developed and new ways of doing it, but this might be a much more efficient and faster way of doing it than trying to set up a brand new and sometimes jerry-built framework to get at some short-range goals.

Mrs. Green. Dr. De Bernardis.

Dr. De Bernardis. One other item not discussed but not at all philosophical either is the question, if you separate out vocational and technical education programs, you are doing the things we have been fighting in this country for almost 100 years, 50, in fact. "Vo-ed" becomes something relegated to those that can't do the so-called academic and, if you separate them, it builds the gap bitter because the person going to this school, and it may be a quality school, still feels he is not a part of the total system. There is a real problem.

I think what we found, and all of the schools in Oregon can tell you, one of the great things we had done, and it happens because of the legislature's foresight, is that the "typical" student is not identified, but in there getting what he wants, and is not a mix but a part of the total system.

I think educationally, sociologically, and otherwise, it makes sense. If you put a student in a separate program and say, "You are not good enough to go to this school, we have a special one for you," these special schools, whether you like it or not, have a stigma with them. We know it has happened. It is one of the problems in the secondary schools. These programs are usually for kids that can't make it. We label them and put them there and then we wonder why they don't want to. Why would they? Why not with the others, and in the same program?

Again, I go back. I say if we can't deliver, that is the time to look at it, and if we can't deliver, I say, "Why not?" and not go to some other approach. I think that is abandoning this approach.

This educational system was set up for the people, and I think somebody ought to ask us, "Why aren't we?"

Mr. **Roberts.** This stresses the fact of mobility. One of the things we like to see accomplished by having this mix of students on the campus is the opportunity and encouragement for a student to be mobile, to move from first decisions he may have made, whether they were too high or too low, and as he learns more, he has the opportunity then to move to programs that are more suited to his needs, whether they are more academically inclined or more vocationally inclined.

We think this is one of the strengths of the system, and we think it would be broken down by dual systems of education.

Mrs. **Green.** The manpower training program is under the jurisdiction of another subcommittee, headed by Congressman Daniels of New Jersey, who is very able. I serve on that subcommittee, too. We had hearings earlier in the week on that, and I have a suggestion I would like to have your reaction to.

In the bill he introduced, Congressman Daniels has included a trigger mechanism which provides that if unemployment goes above 4½ percent, the public employment program goes into effect.

I asked for a consideration of another trigger mechanism, that at a certain level of unemployment, and I don't know what it should be, there ought to be a trigger mechanism that would transfer funds from manpower training programs to public employment programs.

It has distressed me that last year, for example, when we had the highest unemployment rate in many, many years, the Department of Labor alone was spending $2.5 billion on manpower training programs—training for jobs which do not exist.

Dr. De Bernardis, I know I discussed it with you. In terms of the number of manpower training programs that the same individual has gone through, and after he has finished three of them and has drawn his stipend, he is still a covered welfare worker. Would you comment on this, because of your own very wide experience in this, and with the possibility of a trigger mechanism, whether it is desirable or not?

Dr. **De Bernardis.** This would be worth exploring. As you mentioned yesterday, and I think it has real possibilities, that if we could provide some real work for these people it would be great. You do mention these people, and we have a few, what we call "professional students," that we now find in every place, and there have developed some vocational programs where it is possible to move from program to program.

I would like to expand that one area, work-study money, something similar to that, where we tie up with public agencies. One thing we found with the people especially those coming from welfare rolls or people that have been on welfare for a long time, is that they need to learn how to work and learn the dignity of work.

You don't do it in a classroom always. You have to provide real work where they can get real money and not just a straight gift. This ought to be explored. I would like to see something tried, at least experimentally. It makes sense to us.

We for instance on our own campus, I know on Mount Hood they do it, the amount of work students have produced, it is not a gift, they worked for the money. It is one of the greatest programs, and that is where we got cut.

Mrs. Green. Work study?

Dr. De Bernardis. Yes, work study or any type of work program. We are finding, and I can't speak for everyone, but we are finding many, many students would rather work, so that money is theirs and not a gift. That is contrary to what many people say.

Mr. Brookins. May I comment briefly on your question?

I think in manpower legislation, more flexibility is needed. I like the idea, I would like to see it pursued, of your trigger mechanism. For example, two major categories are the on-the-job training and institutional training. There are times when on-the-job training is important, but, as you know, in the State of Oregon for the last year, with the depressed economy that we have had, there has not been opportunity for training persons under on-the-job training.

If we could have transferred some of those funds, on-the-job training funds, into individual institutional programs and had people in long-term preparatory programs in business or preapprenticeship or other things, it would have been a great aid to us.

Mrs. Green. Congressman Brademas.

Mr. Brademas. Thank you, Madam Chairman.

Gentlemen, it has been very good to hear you. I am sure as Oregonians you must take great pride in the leadership that the distinguished chairman of this subcommittee has given to education over the years in Congress and in this country, and I am glad to see you here this morning.

My questions are all along the same theme and are related in part to the nature of the student body you were discussing earlier with the Chairman.

Could you give us your comment on a question that has been coming up in some of the Carnegie and other studies on the role in American higher education of the community college? Is there a special mission, is there a unique mission for a community college? Is the community college different in its purposes and its clientele from a 4-year liberal arts college or university, on the one hand, or, on the other hand, from the 13th and 14th grades of high school or a vocational school?

What do you have to tell us about that?

Mr. **Brookins**. May I comment on it?

First of all, I would like to personally endorse, and I think most of my colleagues would, the proposals in the Carnegie report—"Less time, more options"—I believe it is.

Somebody really needs to begin asking those of us in higher education some embarrasing questions, and I think the Carnegie Commission is doing this.

I think the unique role of the community college in this country, the unique assignment we have, is to deal with reality and deal with diversity. In trying to develop comprehensive community colleges, we are trying to deal with the diversity that does exist.

If you would like, a little bit later on I could give you some statistics on our institutions, which would do nothing more than reinforce, from a small institution, what has been said about the metropolitan area.

Mrs. **Green**. I would ask that you do that, or if you would like to send the information we could put it in the record at this point.

Mr. **Brookins**. I will send it to you. I won't take the time now.

(The information referred to follows:)

SOUTHWESTERN OREGON COMMUNITY COLLEGE, COOS BAY, OREG.

STATISTICS

Southwestern Oregon Community College is located on a 125-acre campus on the Empire Lakes in Coos Bay, Oregon. The surrounding area consists of the municipalities of Coos Bay, North Bend, Eastside, and several unincorporated communities.

Brief history

Ours was the first area education district (and the second community college) organized in Oregon. The district was formed and the first board of education elected on May 1, 1961. Classes began in temporary facilities in the fall of 1961 with an enrollment of 266 students. In its tenth year of operation, enrollment has grown to just over 2,040 students during the recently completed fall term.

The original area education district included Coos County, Western Douglas County, Western Lane County, and Northern Curry County. In March of 1962, Western Lane and Northern Curry Counties voted to withdraw from the college district. The present district (Coos and Western Douglas Counties) covers approximately 1,997 square miles and has an estimated population of 62,320 persons.

During the first few years of operation, college classes were operated in surplus Navy facilities at the North Bend airport, Marshfield High School, and the Michigan Avenue School. Phase I of the new campus facilities was occupied in the fall of 1964. The college continues to utilize parts of two buildings at the North Bend airport.

A summary of the construction which has taken place in four phases at the college is shown below. There is no outstanding bonded indebtedness in the district.

CAPITAL CONSTRUCTION

		Completed	Amount
Phase I	Randolph and Umpqua Halls	1964	$393,167
Phase II	Dellwood, Coaledo, and Sitkum Halls	1965	641,833
Phase III	Prosper and Tioga Halls	1967	1,050,824
Phase IV	Add 3 floors to Tioga Hall, together with remodeling Coaledo and Randolph Halls.	1969	844,779
	Campus site and site development costs (Includes purchase of 125 acres, 2 finished parking lots, 1 partially finished parking lot, roads, paving, walks, lights, landscaping.)		649,764
Total			3,580,367

SOURCE OF FUNDS

	Percent	Amount
Local	47	$1,672,449
State	36	1,299,600
Federal	17	629,074
Total	100	3,601,123

The college is presently studying and revising its long-range educational and campus development plans. Completion of the present campus master plan would require the following additional facilities: technical building; fine arts building; college-community center (student union); stage two of the physical education building; physical plant building; outdoor physical education space; and additional parking space. We expect to request, sometime during the next eighteen months, a bond issue to complete the campus.

In the process of long-range planning, the college is studying the possibility of developing joint college-community use facilities with local school districts, cities, and the county. Such facilities might be educational, cultural, and/or recreational. The need for dormitory space is also under study.

A feasibility study to determine whether the district should expand to include Curry County is currently underway. Such a move would probably require a late afternoon and evening center in the Gold Beach area.

A few classes are presently offered each term in Bandon, Coquille, and Reedsport. The Division of Continuing Education presently offers an average of eight classes each term in our facilities. Noninstructional community service activities fall term involved over 3,800 persons on campus, with an estimated 376,000 participant hours in lectures, concerts, meetings, and similar activities.

The college was accredited by the Northwest Association of Secondary and Higher Schools in 1967. Present staff includes six administrators, fifty-five full-time and from sixty to seventy part-time faculty members.

ENROLLMENT

Fall term	Head count	Reimbursable FTE
1964–65	1,031	479.1
1965–66	1,247	609.8
1966–67	1,465	761.2
1967–68	1,776	786.3
1968–69	1,923	850.0
1969–70	1,762	931.0
1970–71	2,042	[1] 1,150.0

[1] Estimated.

Growth in both lower division and technical-vocational courses has been steady. Southwestern Oregon Community College has always put a strong emphasis on vocational programs—the first two permanent buildings were for technical-vocational classes.

The future enrollment projections of the Educational Coordinating Council are listed below. The past few years we have run about a year behind state projections. During the 1970–71 school year, we will run significantly ahead of the state projections. Inclusion of Curry County in our district, or an end to the Vietnam conflict could invalidate these projections.

FUTURE PROJECTIONS FTE

1970–71	1,150	1971–72	1,210	1972–73	1,270

FUNDING (OPERATIONAL)

[Percentage of funds for operation]

	State average	SWOCC
State reimbursable	47.6	38.9
Federal funds	6.9	4.6
Tuition and fees	23.8	19.3
Local tax	21.7	37.2
Total	100.0	100.0
	Year	Amount
True cash value of District	1970–71	$573,351,734.00
Tax rate for operation	1970–71	1.43
Total tax rate	1970–71	1.43

FINANCIAL SUPPORT (OPERATING FUNDS) 1965–70

	Total	Local taxes	Tuition and other local	Federal Voc.	State reimbursable
1965–66	643,660	172,780	145,657	61,180	264,043
1966–67	799,936	220,891	178,892	88,176	311,977
1967–68	1,015,348	378,112	195,853	46,361	395,022
1968–69	1,152,004	478,713	196,346	45,404	431,540
1969–70	1,346,779	547,700	209,462	46,797	542,840

STUDENT CHARACTERISTICS

The student body at Southwestern Oregon Community College is probably typical of most comprehensive community colleges in rural areas. Of the 2,062 students registered during the first four weeks of the 1970 fall term, 1,052 were married. There were 1,037 males and 1,025 females, with an age range of 11 to 83—mean age of the student body was 30.67. There were 1,780 of the students classified as "first year". Sixty percent (1,170) were employed.

Fifty-three percent of the fall quarter FTE were enrolled in transfer programs. Forty-six percent were enrolled in vocational programs. One thousand students were enrolled during the day; 821 at night, and 241 both day and night. Of the total student head count of 2,062, 1,052 were employed.

A further breakdown on age distribution of the fall term students follows:

Age range	Number	Percent
16–19	640	30.91
20–29	627	30.40
30–39	297	14.47
40–49	241	11.62
Over 50	257	12.41

Educational level of students included 70 percent high school graduates, 8 percent transfers from other colleges, 2 percent high school students, 8 percent G.E.D. certificates (high school equivalent), and 12 percent nonhigh school graduates.

High school of graduation and residence of students provide an interesting comparison indicated below:

	Number of high school graduates	Number of residents
Coos Bay	398	924
North Bend	201	516
Reedsport	65	125
Bandon	47	93
Coquille	81	162
Myrtle Point	73	77
Powers	13	17
Other Oregon	267	95
Out of State	432	53
Other	485	0

F.T.E. SUMMARY 1961-62 THROUGH 1970-71

	Lower division		Vocational		Other reimbursable [1]		Nonreimbursable [2]		Separate contract [3]		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Total
1961-62	132.5	51.7	117.0	45.7	5.4	2.1	1.3	0.5	(3)	(3)	256.2
1962-63	263.6	61.6	155.7	36.3	8.2	1.9	.7	.2	(3)	(3)	428.2
1963-64	298.6	64.8	153.2	33.8	7.5	1.6	1.6	.3	(3)	(3)	460.9
1964-65	264.4	54.7	166.9	34.5	48.3	10.0	4.0	.8	(3)	(3)	483.6
1965-66	321.1	52.2	249.0	40.5	40.9	6.6	4.2	.7	(3)	(3)	615.2
1966-67	415.5	52.9	281.7	35.9	64.2	8.2	1.3	.2	22.3	2.8	785.0
1967-68	417.6	53.0	277.4	35.3	86.2	10.9	1.9	.2	5.0	.6	788.1
1968-69	502.1	56.1	278.1	31.2	105.5	11.8	1.3	.1	7.1	.8	894.1
1969-70	496.2	51.4	334.7	34.8	110.5	11.5	1.2	.1	21.6	2.2	964.2
1970-71 (estimated)	575.0	48.9	410.0	34.9	165.0	14.0	3.0	.3	22.1	1.9	1,175.0

[1] Programs in which the State participates in reimbursement (evening adult courses.)

[2] Programs in which the State will not participate in reimbursement (driver education).

[3] Programs funded entirely from sources outside the District (adult basic education). Separate contract figures not available for these periods.

SOUTHWESTERN OREGON COMMUNITY COLLEGE, COOS BAY, OREGON

The Southwestern Oregon Area Education District was formed on May 1, 1961. Classes began at Southwestern Oregon Community College (SWOCC) in temporary facilities at the North Bend airport in the fall of 1961. Some classes were moved to the present campus in Coos Bay in the summer of 1964. Most classes are conducted on the permanent campus; however, a number are operated in communities throughout the college district (Coos and Western Douglas Counties). The college was accredited in 1966.

Curricular offerings of SWOCC are similar to other colleges of our size. The only required Oregon lower division transfer course we do not offer is geology; we plan to add it next year. Vocational-technical curricula include: business technology; secretarial technology, data processing technology; electrical-electronic technology; home economics; law enforcement; industrial mechanics; practical nursing; wood industries technology. We plan to add a full-time program in distributive education (marketing-salesmanship) next year, in addition to doubling the size of our practical nursing program. A marine-fisheries technology program will be added in 1972-73.

The operational cost of SWOCC per FTE student for 1969-70 was $1,431; we are estimating costs this year at $1,400 per FTE. Following is a breakdown of operational costs for 1969-70 by source of revenue, including a percentage distribution: Total Operating Costs, $1,346,779; State Funds, $542,840 (40%); Federal Funds, $46,797 (3%); Local Tax, $547,700 (41%); Tuition and Fees, $209,462 (16%).

The true cash value of our district is $573,351,734 this year; present tax rate is $1.43 per thousand dollars of true cash value.

There have been four phases of construction at SWOCC. The campus is valued at $4,600,000 in land, buildings, and fixed equipment. The original master plan of the campus is approximately half completed. To date, $1,299,630 of state funds have been invested in construction; we have accumulated $393,000 in construction prior credit and have no bonded indebtedness.

The full-time equivalent enrollment of the college has increased approximately 24 percent this year (see following table):

	Total reimbursable FTE	Lower division FTE	Vocational course FTE	Other reimbursable FTE
1969-70	941	496	335	110
1970-71 [1]	1,150	575	410	165
1971-72 [1]	1,210	605	430	175
1972-73 [1]	1,270	635	455	180
1973-74 [1]	1,320	660	475	185
1974-75 [1]	1,380	690	500	190
1975-76 [1]	1,440	720	520	200

[1] Denotes an estimate.

Mr. BROOKINS. One hundred and some years ago, and I am not that much of a mathematician, we created a social institution in this country called the land-grant college. That was supposed to do for that time and era essentially what we are supposed to do now.

It became upward-mobile, middle-class oriented, and now we have another social institution, which is my personal commitment, to see that we don't become little liberal arts colleges, that we don't become upward-mobile.

We have to put the community in community colleges and deal with the diversity and the diversified needs that exist. That is our role and mission.

Mr. BRADEMAS. Now, having said that, would you comment, any of you, on the fact that in the State of California, which is so important in the community college field, it is, I believe, required that the curricula which are offered in community colleges be of a kind that could also be followed in a 4-year liberal arts college or in a State university?

The reason I put the question to you this way, of course, is to determine whether community colleges are simply becoming 2-year carbon copies of 4-year institutions.

Mr. BROOKINS. Can I twist it a little bit? I spent 5 years in California as the head of a junior college and did my research at the Center for Research and Development of Higher Education at Berkeley, and I know a little about the program there.

There is a requirement that credits can be transferred to 4-year institutions, but I think that was a positive thing and a positive act on the part of the California Legislature, because some of the people in the 4-year colleges and universities were saying in effect that vocational-technical education is second class and it has no value.

What the California Legislature did when they passed their resolution was say, "These programs and these students must be considered on their merits"; and while no one wants to transfer an auto mechanics course credit from a junior college in California to an English major at the University of California at Santa Barbara, I think it is perfectly legitimate, if a student chooses to do so, to transfer some of his auto mechanics credits and other credits, at least on an elective basis, to a major in mechanical engineering or industrial arts.

Dr. De Bernardis. I think there are other things that distinguish the community college from a 4-year school or from a 2-year junior college. Over the years we have developed in our society a concept that the only way to success is through a baccalaureate degree. I mean that is pretty evident.

Most of the students in high school shoot for that and have been told that is the only way to suceed. Consequently, many students try universities and fall by the wayside, with no place to go.

The community college actually serves as a place where students can go with any goals they want and modify them, as Dr. Roberts pointed out, and modify what they want to do. They can move flexibly through the system, either moving out in 1 or 2 years or moving into the university.

It is really exploratory to some students. That is something that is very important. They can go out and come back at any time and move through the system. They don't say, "Your credits are too old," and "What are you doing here?"

We are developing a community college in its true sense. In our philosophy, it is pretty much set up, we call it an educational shopping center. You get what you need. No one sells to you because you are taking 4 years on the campus, you are not a full-time student as you would be in others, you are actually a student in the institution taking what you want.

Mr. Brademas. If I understand what you are saying, it is that a community college should be able to offer both lower division academic courses which are translatable, and occupationally oriented programs, community service-type programs, and adult education-type programs.

I am not trying to be difficult in my questions, but am attempting to understand how you gentlemen who live your lives in this field see your role, because, I think, in some States we may well see that the State university system, which would be very powerful, will in effect seek to make "kid brother" institutions of the local community colleges.

In my own State of Indiana, we really don't have community and junior colleges to speak of. We have a very powerful State university system, however, and therefore, what we are seeing is development of 2-year regional campuses which are carbon copies, and I say that descriptively, I don't say it critically. They tend to move toward 4-year institutions.

In my own home city of South Bend, we have now, and we have only been in business a few years, 5,000 students at a regional campus of Indiana University, a phenomenal growth.

Let me ask you another question, and I draw to your California experience, and this is a matter to which Mrs. Green directed attention in another context, that is, the impact on the composition of student bodies of the administration's student aid proposals.

You tell me if my facts are wrong, but as I understand, in the State of California you have open admissions for community colleges but you have restricted admissions, as it were, to your universities.

Now, you can see what that can very well mean is that you are going to be shuffling off on the community college system the minority groups, blacks, chicanoes, disadvantaged, where you could see the university system taking the sons and daughters of the professional and managerial families.

Have I painted a false dichotomy here?

Mr. **Brookins.** You have, and Lou Herkenhoff was on the faculty at San Jose and in the same program I was in at the university, and he might want to comment, but when the master plan for higher education in California was approved, they talked about the top 12½ percent of high school graduates going to university campuses and the top third going to State colleges, and the rest going to community colleges.

Down there we used to say it is true that the university gets the top 12½ percent less 2 percent for athletics and things like that.

Mr. **Brademas.** We don't do it in our State.

Mr. **Brookins.** The State colleges take from the top 30 percent and the junior colleges take from the top 100 percent. The junior colleges get their share, for a number of reasons, students not wanting to leave home, not students not being able to afford to, but they get this share of the top 12½.

For example, in the institution I was in in Oakland the grade point differential of students from the city college in Oakland that transferred to the University of California was a plus grade point differential. In other words, the students who transferred to the university did better than native students in the university.

I think they have done very well in dealing with this. You get a spread in the California junior colleges, but one thing you say is true, that the lower end of the scale has no other place to go.

Mr. **Brademas.** Well, I do think that as we look at the community college movement, as it were, this question of the composition of the student body is one we ought to attend to very carefully, because I am apprehensive that we seek to slough off some of the most difficult, thorny problems in higher education on community colleges.

Dr. De Bernardis?

Dr. **De Bernardis.** I don't think we ought to look at it as sloughing off. I know your concern.

Mr. **Brademas.** I don't, but some others do.

Dr. **De Bernardis.** I know they do. Our concern is that there is a community college that is set up to do this. The disadvantaged student that does not have the background or skills to enter into a university, to put him in a university at that time and place is doing him a disservice.

He should build his foundation skills and goals if he wants to go there, so his chances, as was pointed out, are much greater. We don't look upon it as degrading the institution. At least I look upon it as a hospital. We take the sick and help them. I know of no hospital that wants only well people. If the university wants only well people, that is their business.

Mr. **Brademas.** It would cost money, of course, for sick people, if you pursue your metaphor. One thing we found very often when disadvantaged students with weak elementary and secondary backgrounds go into universities, even if they have had "upward bound" experience in the summer, they need some kind of particular pedagogical attention while in, or they won't make it along the way, and that can be expected.

Mr. **Roberts.** Mr. Brademas, I think you asked earlier if the community college had a distinctive role. It seems to me that the distinctive role of a community college is that it is perhaps the only institution at present in our array of instututional facilities which provides the kind of variety and mobility we are talking about.

From the very beginning, in our institutions we have assumed that we had a wide variety of abilities. We accepted them all and our function was to differentiate programs so that they would be adjusted to each of those student needs, and this is in contrast to the public schools, the lower grades, which have attempted to bring all students along more or less at this same rate and sort of graduate them on the basis of age, and in contrast to the universities that set certain standards for entrance and then certain standards for graduation, and the student either met those standards and was graduated or was thrown out; but in both of these institutions there was the emphasis upon uniformity. I think this is the contribution which a community college or colleges makes.

I would hope it would not for long be a distinctive institution because I think that it may very well be demonstrating a pattern which the university on the one hand and the secondary school on the other ought to emulate.

Mr. **Brademas.** By that, I take it you mean to say, so we don't get caught up in semantics here, that the pattern which you seek for the community college is that it should be an institution which represents diversity and that it is not to be monolithic.

I take it you are saying you don't want the same kind of community college in every State in the Union or in every community in the country; is that correct?

Mr. **Roberts.** We do want variety, but what I want to say is within the concept of the community college there is the concept of changing programs and building programs and having great variety, so we recognize this. I listened to some of the testimony the other day from some private colleges and the emphasis they placed upon the increased costs which arose from taking students with a heterogeneous background for education and the increased costs that it meant for them

I think this reflects the fact that these institutions in the past have largely been organized with the concept that all of the students that come in, come in at one level, which has been predetermined as being satisfactory for entrance, and they can in effect move through in a regular program with a uniform kind of program.

The community college has never accepted this idea and never thought of it, and in that way we don't see it as additional costs but we see it as the kinds of costs we have already assumed.

Mr. **Brookins.** Mr. Brademas, I just want to make one comment, you look like you are getting ready to leave.

Mr. **Brademas.** No.

Mr. **Brookins.** I am sorry, the State of Indiana does not have community colleges.

Mr. **Brademas.** Why do you say that?

Mr. **Brookins.** Let me finish the point. I am sorry, the State of Indiana Federation of Labor is the only one in the country that has a policy position against them, but I want to compliment you and thank you, as one who has been in vocational-technical education for 25 years, for the efforts and contributions that you have made for vocational-technical education since you have been in the Congress.

Mr. **Brademas**. Thank you very much. I certainly don't want to interrupt you when you are making that kind of statement.

I have just one other question, if I may, Madam Chairman.

Since we are talking about higher education legislation, what kind of support, insofar as the Federal Government is concerned, would you most like to see for community colleges—student assistance, facilities assistance, institutional grants, all three?

Mr. **Brookins**. I would like to see, first of all, the programs authorized that exist fully funded. If I had to take my personal choice for our institution in Oregon, my priorities would be student assistance, some sort of operational aid such as has been proposed by Mrs. Green or Senator William's bill, and more construction funds.

Dr. **De Bernardis**. One item that you are considering in higher education is the National Foundation for Higher Education, which is in the legislation being proposed by various people.

What concerns me—and I am not talking about a big institution, and ours is a fairly big-sized one, but smaller institutions—institutional grants, innovation, that innovation can exist in a small institution; but the job of a small institution getting a grant, unless they are very, very affluent and have horsepower and energy far beyond what a small institution can give it, the chances of getting a grant are almost nil.

And if we are going to have what the Foundation says it wants to do, this idea of getting into higher education the best of technology and efficiency, what we know about teaching today and learning, that some way, somehow, the legislation must make it possible without this—well, I don't like to use the word "redtape," but I will use it to try to get some moneys for small institutions.

For instance, $15,000 to a small institution is equivalent to half a million in a big one, yet the impact to that institution may be every bit as great or greater.

I would like to see something in the legislation that would somehow get small grants for—not research in the true sense, but experimentation with innovative ideas in education, for small institutions. That is difficult now for the small institution to talk about, I have seen it even in large ones.

Mr. **Brookins**. That is an important point, and I don't want to put anybody down, but as a small institution president, if you don't talk $100,000 grants to the Office of Education, they won't talk to you. We could do a lot with $10,000 on creative and innovative programs in our institution.

We just have to resort to local resources, and really, I think it is another place in back of a point that was made earlier—I don't know what the exact figures are, but I know out of higher education funds, the community colleges, junior colleges, across the Nation have gotten less than 10 percent, as compared to 4-year institutions. Frank may want to fight with me here, but we deserve 20 percent as a minimum.

(Discussion off the record.)

Mr. **Brademas**. Back on the record.

I would draw your attention—as you make your point with respect to the impact that a modest grant can make to small institutions—to the so-called mini-grant section of the Environmental Education Act that we passed last year, which, I think, proposes or allows grants of up to $10,000 with as little redtape as possible, taking into account the kind of problems you talk about in another area.

Do you want to say anything else?

My question again, if anybody else wants to say anything about it, Madam Chairman, is: what kind of help do you think you most need for community colleges?

Mr. ROBERTS. I think the points have been pretty well made about the areas of our concern, but the people in the community college administration tell me and tell our boards that they do feel that there is inadequate attention to the distinctive educational institution on the part of the Office of Education, and they feel that perhaps many of the kinds of problems we have talked about would be dealt with more effectively perhaps and there would be more leadership on their part on the national level if there were more recognition of this activity on the part of HEW, both in terms of attention paid to community colleges, junior colleges, and to vocational-technical education with which we are so intimately concerned.

Mr. BRADEMAS. Thank you very much, and that is all I have.

Mrs. GREEN. Doctor, as I recall a few years ago when we were studying the Office of Education, we found there was no one in the office who was responsible for community colleges. I think that is indicative of their lack of interest.

Dr. Roberts, you said 55 percent of those carrying more than 10 units are working part-time. Do you have information on the amount of income tax paid by these people as a result of their work?

Mr. ROBERTS. I do not, Mrs. Green. I think that it would be not difficult, however, to interpolate it. You can understand, as I indicated, a third of all of our students are married; 18 percent of this group I have identified here is working, carrying 10 or more units and working; 18 percent of this group are married. Man and wife are working, and they are certainly subject to Federal and State income taxes. I can't give you any more than that.

Mrs. GREEN. I agree with the statement you made that our student financial assistance programs must be made available to part-time students, Congressman Pucinski of Illinois has also been expressing interest in this area. In this regard I have made a proposal which I would like to have your comments on. It has seemed grossly unfair to me that we do not make financial assistance available to the part-time student who is working and yet we require that student to pay taxes on his earnings which go to support other students who are not working at all.

Therefore, I have proposed that any student who would otherwise be eligible for EOG work study or the subsidized loan programs, should have guaranteed as a minimum amount in student financial aid the equivalent of what he has paid in Federal income tax.

You people at the State level have to take care of the State part.

I would like your comments on this kind of proposal.

Mr. BROOKINS. I would be in favor of it, Mrs. Green. I think it is a great idea.

Mrs. GREEN. Why don't you get your association of community colleges to support it, too?

Mr. **Brookins.** It is as good as done.

Mr. **Roberts.** Mrs. Green, may I add that on the university level, the kind of burden you are talking about is even more onerous, because the part-time student, at least in our State, often pays a higher tuition rate per student-hour than does the full-time student, and therefore, the student who is working through college may actually be penalized by having to pay a higher tuition than the student who can afford to come to college and go full time.

Mrs. **Green.** We are going into a period in our society, it seems, when we are governed by reverse incentive—if you don't work you are eligible for innumerable programs. If you work, you become ineligible.

Let me ask you, Dr. Roberts, the administration has proposed that there be no matching requirement for EOG, and that there be an 80/20 matching requirement for work-study. As you well know we have various matching requirements for various programs. Some of them require a 90 percent Federal and 10 percent local contribution, some are 50/50 matching, others require a matching of one-third. What do you people do at the State level when you decide to cut up the pie for State funds? Do different matching requirements cause you to look at any of the programs in a different light?

Mr. **Roberts.** Well, I would have to say, as you may know, the State funds that go to local institutions are largely on an institutional grant basis, not on a matching basis, and I think perhaps that some of the administrators here in terms of the impact upon particular programs would be able to speak in greater detail than I could.

Mrs. **Green.** Let me be a little more specific. I have argued that many categorical grant programs, with different matching requirements, tend to distort priorities because I would think it would be a natural inclination for members of the ways and means committee in State legislatures to look more favorably upon a program that would bring in 9 Federal dollars for 1 State dollar than on a program which would bring in $1 of Federal funds for $2 of State funds.

Mr. **Roberts.** Well, these decisions, I would say, are more likely to be made on a local level than they are on the State level; and I might ask, "Would you agree with this in Oregon?"

Mr. **Brookins.** Generally, except for some categorical programs administered at the State level, at the same level as the department of education.

Mr. **Roberts.** Of course, your assumptions are absolutely correct, that the decision for the use of State money is not made clearly on the basis of how important the program is. There is another element that comes in, and that is the element of "Where will the money go further?"

It makes you think about the airline pilot that says, "All right, we are at full speed, but we don't know where we are."

So, a good deal of the time there is that tendency to spend money which is cheaper than to spend State money where it is best needed.

I think that the principal problem that arises in terms of categorical grants and matching funds certainly has to do with this fact that programs which may be of equal value or even greater value may have their funds taken away in order to support other funds that need to be matched.

Increasingly, then, when the Federal matching changes or the funds are not available as they have been authorized, even a greater burden is placed upon the other programs to pick up the deficit.

I would only say that it is this element of uncertainty which has led to an increasing reluctance on the part of more cautious institutions to even use the funds that are available for certain kinds of programs because of the uncertainty of the future and their desire not to injure other parts of the programs by having to pick up the deficit.

Mr. **Brookins**. Mrs. Green, may I briefly cite a related example to the kind of thing you talk about?

On work-study this year there was a Federal requirement that the minimum wage be up from $1.45 to $1.60 an hour. The unintended consequence of that was to reduce work-study funds 10 percent. It simply happens all the time, and with the kind of school finance and community college finance we have in the State of Oregon, where such a large share of funds come from local property taxes, and we have the kind of revolt we have on these taxes, the change in the requirement from an 80/20 to a 70/30 match is simply going to eliminate programs and eliminate services.

Mrs. **Green**. I completely agree. I would hope that we can provide a greatly expanded work-study program.

Would you want to comment on whether you would prefer an expanded EOG program or expanded work-study?

Mr. **Brookins**. I think everyone will say work-study is the No. 1 priority and EOG is No. 2.

Dr. **De Bernardis**. Work-study does a number of things:

No. 1, from the standpoint of the school and its programs, it can put students on real jobs; and No. 2, I think it does something else for the individual, he is at least putting forth some effort to get what money he is getting, and whether we like it or not, it is still an important concept, and I think you referred to it.

We would like to see it expanded so it also provides some residual things for the institution, since on our own campus we have been able to do a lot of things we would not have ever been able to do without work-study. Tree planting and landscaping we could not have done without the money, and for the students to work on this, they have done a tremendous job.

Another thing, they would have community contact and perform something in the community, either on campus or in a community agency, and again, this builds part of the total educational growth. And I think it is important because we don't have enough students getting into community action, and this gives them a chance.

I think we have been very well pleased with our success, and would like to see it expanded.

Mr. **Roberts**. Could I add that what always amazed me is the number of cases in which work-study experience has contributed to the career development of the students involved. This is just remarkable, the extent to which people have been able to work in jobs which either were interests they already had in terms of their careers or which developed career interests and they went on to work in that area.

I see it as one of the extremely significant contributions to the kind of educational program that we are involved in. I see this not only at the community college level, but I have seen it so at the university level.

It just seems as though it is an exaggerated phrase, but the kinds of residual benefits and fall-out benefits of this program are just unbelievable.

Mrs. **Green**. Would any of the rest of you, Mr. Spooner or others, want to comment on this?

Mr. **Spooner**. As long as we are on the topic of work-study, some mention was made in your committee hearings yesterday about some of the difficulties of students qualifying for work study, and I think in the process of expanding the work-study program, review ought to be given to the methods of application and requirements the parents have, the forms they have to fill out, to see if that red tape is necessary to qualify and if it can't be streamlined considerably.

As an instructor, prior to going into administration, I knew personally of students that were qualified for work-study by reason of limited income, who for one reason or another were not living at home and were not associated with their parents anymore in a relationship that would allow them to get statements from parents about income and this kind of thing, that would, instead of rating 100 percent or whatever it was, would get 10, 20, or 30 percent, and not get enough money to make the work-study program significant.

I would hope that in your expanded work-study program you would take a good look at that, also.

Mrs. **Green**. Would you make middle-income students eligible?

Mr. **Spooner**. I think they should be, for the same reasons we talked about, the need for middle-income students in other areas besides work-study areas, and where there are two or three students in one family and so forth, maybe that is the way of helping the middle-income student.

Mrs. **Green**. One of my major criticisms of the administration bill is its failure to provide any real assistance to the middle-income student.

The administration's program now says that the neediest students are to have a combination package of EOG, work study, and NDSL to a total of $1,400. Then needy students are to be eligible for another $1,500 in a cost-of-education loan. As Secretary Richardson explained, this is to enable the neediest to go to the most expensive college.

The question I put to Secretary Richardson was, first: "Are you equating quality with the most expensive?"

That is because it seems to me it must be inherent in that philosophy.

Second: "Is it in the national interest for the vast majority of Americans, taxpayers, to be required by the Congress to pay taxes to make it possible for the neediest students to go to the most expensive colleges when they cannot send their own children even, perhaps, to the first, second, or third college of their choice?"

I am not at all persuaded that top quality education is to be found only at the most expensive colleges.

Third, it seems to me that we are awfully close to a revolt on the part of middle-income families in the country.

They are paying large sums in taxes and yet they are not eligible to participate in the multitudinous programs their tax moneys are supporting.

Would you comment on that?

Mr. **Brookins.** I would simply have to say that I agree with your conclusions. I think there are probably unintended, but certainly unanticipated consequences of that kind of proposal, that are completely unjustifiable.

Dr. **De Bernardis.** I think you also have to look at whether you are supporting the student for his education or supporting the institution. There is a difference.

That is why the voucher program has real merit. Money is given to the student to decide where he wants to go. I think if you look at the other, he figures, "I can just go here," and there is this tradition, something that says you are supporting the institution perhaps and not the student.

The question is: How much do you want to support the student, if education is available to him? For instance, if some institution charges $3,000 tuition and there is another available for $1,000, I think you are right in saying that necessarily the $3,000 one is not that much better. We have to look at it and it is a question of whether you want to support that institution.

I wouldn't argue that institution may need support, but in terms of students' education, that may not be the place to look.

Mr. **Roberts.** I think of course you have touched on a serious problem, and I listened to it the other day and thought about it later: How would you resolve this kind of thing? Because it seems to me you have an incompatible situation in which you have a great range of incomes and on the other hand you have a system of education in which you have a great range of costs, and those costs are not necessarily related, as you quite properly pointed out, to the quality of education.

I would say, regardless of an individual's income, if he is capable of, let us say, benefiting by a highly specialized institution, say a medical school, then I think that it would be desirable and in the public interest for that kind of education to be assured to him.

Mrs. **Green.** Are you talking about the graduate level?

Mr. **Roberts.** Well, I was just using this as an example of a highly expensive specialized program, but I would certainly echo what Dr. De Bernardis has said, that there is not justification, it seems to me, for the taxpayers to pick up the cost of education for an individual when that cost of education may only involve luxury in education rather than superior education.

And so I think that probably for a reasonable system you have to work out some sort of a maximum cost that is going to be underwritten for a student, and if that excludes students from some of the most expensive institutions, I am afraid that this has to be recognized as a necessity; and if, on the other hand, we are going to be able to bring in a high enough proportion of our population who do need some kind of supplementary help if their children are going to have an adequate posthigh school education, then I think that your point is very well taken and there ought to be a ceiling on the amount of contribution that is made to an individual's education.

Mr. **Brookins.** As I think about it, this could be in some cases positively inhuman. It could be another case of building unrealistic, unrealizable expectations, sending students to institutions that do not have the resources to deal with the kinds of problems that they have.

Community colleges in general, certainly in the State of Oregon, have put a large part of their resources to remedial and developmental programs, and high-cost 4-year institutions have not faced this problem at all.

You know the attrition rate in the 4-year schools. It could be inhuman, is what I am saying.

Mrs. GREEN. It seems to me that the administration would have been better advised to have said that we will follow our policy of making it possible for every qualified student to pursue postsecondary education. I believe it is the Carnegie Commission which suggests a combination of EOG-work study, so that the student could attend a low-tuition school in his immediate neighborhood. If that student then desires to go to some distant part of the country and enjoy the luxury of going to another, more expensive institution, then he must do it at his expense, with a loan. The Carnegie Commission, as I recall, is recommending that both NDEA and the guaranteed loan program be combined into a national loan bank rather than a national loan association. This appeals to me more, that we would, as a matter of national policy, see to it that no qualified student is denied the opportunity to pursue postsecondary education, but that beyond that the student himself must pay for it, and not other taxpayers.

Dr. Roberts, looking at the State level, it is my understanding that last year the Oregon Legislature passed a bill which provided $100 for every student whether he went to a public or a private institution.

Mr. ROBERTS. For every Oregon resident attending an Oregon institution.

Mrs. GREEN. Public or private?

Mr. ROBERTS. Yes.

Mrs. GREEN. Did it include proprietary?

Mr. ROBERTS. It did not.

Mrs. GREEN. And it is my understanding that some will propose this year that that sum be increased by $500.

Mr. ROBERTS. There is a proposal to increase it; yes.

Mrs. GREEN. Do you think you would want to hazard a guess on the possibility of passage or would you prefer to remain silent on that?

Mr. ROBERTS. I think it is probably likely, if I read it right, that the same kind of grant will be continued, or a modest increase, although there is still a strong feeling that this is not a necessary or justifiable use of limited financial resources on the part of the State.

Mrs. GREEN. May I take up one last question, and I know it is a touchy one, from talking previously to people in community colleges and proprietary institutions.

The proprietary institutions in Oregon have presented to me a rather persuasive argument that they are able to provide just as good an education as the community colleges, but that in bidding for contracts, for example, on the manpower program, because the community colleges have the tax support and they do not, they cannot compete.

What would your reactions be to including proprietary institutions in all of our Federal programs?

Additionally, I would like to ask Dr. Roberts, why shouldn't $100 go to the student who attends a proprietary institution if he has made the decision that at that proprietary institution he can best get the education which he wants?

Mr. ROBERTS. Well, the theory for granting the money to this so-called scholarship was not to help the student at all but to keep the institution open. By the way, this did not go to students who went to public schools, I am sorry, it did not go to State universities, it went to students attending non-State universities, it went to the institution, not to the student, and it was listed as being a scholarship, but in effect, $100 went to each of the institutions in which an Oregon resident was enrolled, for that student.

The theory behind it was like subsidies, Federal subsidies to keep small family farms going, that that is a fine institution, and so in Oregon, the concept was that there needed to be a device for providing some additional funds for these small private institutions, nonpublic institutions, in order to keep them operating. One, on the theory it was good to have that component of education, and, second, that it was certainly cheaper for an Oregon student, or cheaper for the taxpayers of Oregon, for an Oregon student to attend a private institution than it was for them to attend a public institution at a time when the legislature was limiting funds for the State institutions, and therefore limiting enrollment at the same time private institutions represented the fact that they could take additional students without additional costs, so it seemed desirable to encourage that.

Now, the question of the proprietary schools is, as you very well know, a rather complicated one, in the sense that, as we have already indicated, one of the virtues we see of a community college is to maintain this matter of mobility. The student does move from one program to another and the student has options which go beyond what is the presumed prescribed training program for a particular trade.

And it has always seemed, or it has certainly seemed desirable in an area in which there is great necessity for mobility in employment, as needs change, balance of employment in various areas, as the requirements of a particular job change and there needs to be more than the limited training for a particular job, there need to be some of those kinds of additional things that provide a foundation for a student for an individual to have mobility in his occupation, so on this one point we would say that there is some justification for recognizing the broader functions even of a specific training program when it takes place within a community college setting than when it takes place in a proprietary institution which has very narrow objectives in general, so there is that advantage.

Now, there is a second problem, it seems to me, about granting public funds for supporting a student in a proprietary institution, and that has to do with the problem of maintaining the standards of that institution. This is a constant problem in terms of proprietary institutions, to determine that the institution has enough of a driving sense and integrity in terms of the quality of its program, rather than always having also that element of making a profit, which is a real problem in terms of education.

Finally, I think we are aware of the fact that Federal programs, say our veterans or GI education programs, provided funds for a student to select either a public institution or proprietary institution, and if the institution met certain minimal requirements, he was able to train there, and I think that the experience there has been that

that made a significant contribution to the education of a lot of veterans, and I think that that experience ought to provide a foundation and enough experience to be able to test the usefulness of giving these various kinds of support, such as work-study and tuition support, grants-in-aid, to a student to select the institution he wants to attend.

So the end of this long, rambling statement is that I think constantly the real function of these funds ought to be to assure the fact that students can get the kind of education or training that is suited for them and that they want and need and are willing to work at. I would not be hung up with just trying to give aid to keep institutions open.

Mrs. **Green**. Other than $100?

Mr. **Roberts**. I was not even very favorable to that.

Mrs. **Green**. Let me comment. If I read you correctly, you are ruling out the need for any proprietary schools?

Mr. **Roberts**. No; I am sorry, I did get awfully long winded, and I ask you to excuse me, because you have thrown this at me and I have not really thought it through, although on certain occasions I thought about it.

I do believe that we ought to provide an opportunity for students to go where the program is that they want.

Mrs. **Green**. May I stop you there?

They are to go to the school which has the program that they want, but is the Government or the individual to make that decision?

Mr. **Roberts**. No, the individual.

Mrs. **Green**. All right, if the individual decides, "I want to go to a proprietary school X, because that is where I think I can get what I want," then are we not to make any funds available because the Government has decided funds are not to go to those attending proprietary institutions?

Mr. **Roberts**. No, I was suggesting we should make available those funds to him, because our objective should be to make it possible for each student to get the program he needs. We should make it available.

Mrs. **Green**. I think funds should be available to go to proprietary institutions, but I understood you to say, "No."

Mr. **Roberts**. Well, if I did, it was my ineptness, and I would say "Yes, funds should be available to such students to go wherever the program is that they need."

I would only say it does raise additional problems to be sure that we do not have the development of proprietary schools that are able to "con" students into attending them with false promises of what they are able to supply, and we have endless examples of this kind of thing where an institution is set up as a speculative moneymaking venture and all sorts of wild claims are made about it, such as: A job is ready for you as soon as you graduate.

The community colleges, on the other hand, I think, the responsible ones have followed the law in terms of having local advisory committees and so forth that explore the job opportunities and only approve the development of a program and set limits on it relating to the market for these people, so that we don't have these blasted expectations; and in turn, as the need for those particular jobs are reduced, then the programs are closed down in our community colleges.

But no proprietary institution is going to close down a program as long as somebody wants to come and pay his money, and there are restrictions therefore that have to be imposed if we are going to have a proper use of money and at the same time if we are not going to encourage students to waste their time.

Mrs. GREEN. May I make a comment, because I think this is a problem the committee has to deal with this year?

One, we do have accrediting associations now for the proprietary institutions, which I think for the most part takes care of that problem. We have previously raised the same question in higher education. We have had "degree mills," as you know, which made wild promises, and other institutions the quality of which could be questioned.

It seems to me we could provide accreditation and the funds would go only to the proprietary schools that do meet certain standards.

Beyond that, at least as I see it at this time, we had been very unfair to proprietary institutions. I have visited some in Portland at a time when we were giving prime contracts to private companies to run the Job Corps at a cost of many thousands of dollars per enrollee per year. I found that from the viewpoint of cost to the individual, of their placement record, and the amount of time that the graduate of the school stayed on the job, the record of the proprietary schools was much, much better than the record of the Job Corps, which has been studied by Harris and others. Very honestly, I was quite impressed with their record.

Mr. ROBERTS. And better, I might say, than a lot of these public institutions in terms of their placement of graduates.

Mrs. GREEN. That is right. It does not bother me to have public funds going to proprietary institutions, when, as a matter of Federal policy, we are literally pouring hundreds of millions of dollars into all kinds of profitmaking consulting firms that have no accreditation.

Mr. BROOKINS. If I may say, I believe that these funds should be available to the quality proprietary institutions, and the real question is "quality."

For your information, the proprietary schools in Oregon are now represented on both the vocational-education advisory council and the manpower coordinating committee.

Third, there are presently some individual referrals to proprietary institutions from a variety of Federal programs in Oregon. I know there are MDTA referrals, say, to schools of cosmetology, barbering schools, things like that, and out of the WIN program, the JOBS program, the DVA programs, there are referrals to proprietary institutions.

I know of none from my experience in the Manpower program where a total institutional program has been awarded.

Mr. DE BERNARDIS. There have been some contracts in Portland. I know what you are talking about, because we are right in the middle of it. The question of cost, if we want to break out, or any institution wants to break out, its costs for teaching typing, we can do it, but the student that comes to the school for the typing and is in a room like that, he also wants to make use of the library, which is a cost.

If we want to break out just the cost of the typing or automechanics, we will compete, we can do it that way, but it means then we restrict him, we won't let him use the rest of the campus; if you want to take the rest of, or total cost, then we are caught in a trap, well, it costs us more if you throw in the total cost, but if we want a contract we will compete with anybody on a one-to-one basis, without public funds, on a contract for typing or automechanics; but, you see, what we do to students, we say, "You can come for typing, but can't use the library and food service and all of these things which cost us a tremendous amount. You will have to go downtown and eat in the corner restaurant or use the public library," which is x miles away.

Mrs. GREEN. Are you gentlemen in agreement that all of the student financial aids that are available for a student to go to an institution of higher education should be available for a student to go to a proprietary school?

Dr. DE BERNARDIS. It wouldn't be fair if we said anything else. He is a person, he has a choice, and he is a student and it is his choice.

Mrs. GREEN. I thank all of you very, very much. You have been very helpful, and I think you have made a significant contribution to the hearing and to our understanding of the problems of community colleges.

I am very, very grateful to you for coming over here this morning. Thank you.

The meeting is adjourned until a later call of the Chair.

(Whereupon, at 12:15 p.m. the subcommittee recessed, to reconvene at the call of Chair.)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 3, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.

DEAR EDITH: I am delighted that you have given our friends from Oregon an opportunity to testify before the Subcommittee tomorrow morning.

As you know, I am particularly interested in community college development and I have valued the advice these gentlemen have given me. I very much regret that prior commitments will keep me from hearing their testimony in person, but I look forward to reading their comments.

Sincerely yours,

JOHN DELLENBACK,
Member of Congress.

HIGHER EDUCATION AMENDMENTS OF 1971

THURSDAY, MARCH 11, 1971

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Brademas, Scheuer, Pucinski, Quie, Dellenback, Erlenborn, Esch, Steiger, and Ruth.

Staff members present: Robert Andringa, minority legislative associate.

Mrs. Green. The subcommittee will come to order for the further consideration of the higher education legislation which is under the jurisdiction of this committee.

We are very pleased to have with us the Commissioner of Education, Hon. Sidney Marland. He is accompanied by Mr. Peter Muirhead, the Deputy Commissioner, and Mr. Cross, Dr. Alford, Mr. Nelson, and Mr. Kramer.

Dr. Marland, since your statement was inserted in the record at the last hearing, and I presume all of the members of the committee have had an opportunity to read that, would you like to summarize the statement in the interest of saving time?

STATEMENTS OF HON. SIDNEY MARLAND, COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, AND HON. PETER MUIRHEAD, DEPUTY COMMISSIONER OF EDUCATION; ACCOMPANIED BY CHRISTOPHER CROSS, ACTING DEPUTY ASSISTANT SECRETARY FOR LEGISLATION, HEW; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION, HEW; JAMES NELSON, CONSULTANT, DIVISION OF STUDENT FINANCIAL AID, OFFICE OF EDUCATION; MARTIN KRAMER, HEW; AND STANLEY POTTINGER, DIRECTOR, OFFICE OF CIVIL RIGHTS, HEW; ROY McKINNEY, DEPUTY DIRECTOR, OFFICE OF CIVIL RIGHTS, HEW; AND OWEN KIELY, DIRECTOR, CONTRACT COMPLIANCE DIVISION, OFFICE OF CIVIL RIGHTS, HEW

Dr. Marland. I would be pleased to, Madam Chairman. I intended only to read an introductory part of the statement submitted earlier, and to leave for the record the detailed explanation of this proposed bill, and I will indeed summarize it very quickly.

We have as you know advanced a proposal called the Higher Education Student Assistance Act, and as pointed out last week at a press conference on the same subject, we deplore the fact that a child from a family with an income of $15,000 has five times more chance to attend college than a child from a family that earns $3,000.

Mrs. GREEN. What figures are those?

Dr. MARLAND. 1967 figures, Madam Chairman.

We think we have proposed an answer to this dilemma, which will insure that any child who wants to go on to higher education will not be denied this chance simply because his family does not have enough money.

We feel that it is very important in contemplating the total scene in the United States today to assure students from the very first day of formal education that they no longer need despair, nor need their teachers despair, nor need the guidance counselor be discouraged from encouraging the aspirations of a full life and higher education.

We propose that it be clearly understood in this country that every child shall have the means of obtaining a higher education, providing he has the competence and the interest to have a higher education. This higher education must be at his disposal, and, indeed, he need not limit his choice to what might be described as to the lower-cost institutions; within the terms of this proposal he would have the opportunity to choose any institution of higher education.

The second feature of the administration's proposal which I should like to touch briefly on in this preliminary introduction is the National Foundation for Higher Education.

In many ways, I believe the foundation proposal is analagous to our student financial aid proposals.

They are both aimed at aiding the recipient—in one case, the schools—in the other, the students—to fulfill its potential.

There is much evidence at this point of history that higher education is searching for better ways to perform its mission, and, indeed, to determine what its mission is in the United States. The Federal role in higher education in this country is also a part of that quest. These things remain unclear.

You see, the National Foundation for Higher Education is introducing a new source of inquiry, new source of thrusting after new forms, new knowledge, and the encouragement of a reform mode in higher education.

After extended conversations with leaders in higher education and with the institutions at gatherings on higher education, we hold that there is a readiness for higher education to examine itself critically. This Foundation would act as a normal foundation, awarding grants to carry out new forms of higher education leading to concepts of post-secondary education in this country that perhaps none of us at this time perceives.

As a final point, Madam Chairman, in these preliminary remarks, I should like to stress once again the urgency which surrounds our proposal for a Higher Education Opportunity Act.

We have at this moment young people completing their high school education and wondering what is going to happen to them next year.

We have other young people desirous of entering college, and who are perhaps there, and are uncertain as to whether nor not they will have the resources to enter next fall.

Yesterday afternoon I met with a number of student aid officers by coincidence at another meeting in Philadelphia who besieged me to give some kind of indication as to where the Office of Education stands, what kind of guarantees can be assured, and what student aid officers will have in the way of directions at the earliest possible date.

They are receiving inquiries at the rate of hundreds of letters a day from young people looking for the answer.

June 30 is rapidly approaching. Letters of admission are already being sent out for next year's session. I hope the Congress will, in its wisdom, pass this legislation and pass it very soon.

Thank you very much, Madam Chairman, and with that I should like to introduce with your permission, Dr. Peter Muirhead, Deputy Commissioner of Education, who will continue the presentation, presenting in the form of charts a further amplification of our proposal.

Mrs. GREEN. Very good.

Dr. Muirhead, do you want to do that now?

Dr. MUIRHEAD. Thank you very much.

Madam Chairman, we thought it might be helpful for the committee in its consideration of this bill, if we walked our way through the steps in which the concept imbedded in the bill would be implemented. The concept, of course, is one which this committee has long advocated, that is of opening up additional opportunities for postsecondary education to young people. As a way of indicating the need, this chart illustrates the point that the Commissioner made in his opening testimony, that at this time the opportunities for young people from low-income families run far behind those from middle- or upper-income families for postsecondary education opportunities.

This chart is designed to show that as of the latest information which we have, based on the 1970 census data, the opportunity for pursuing postsecondary education, for a young person coming from an upper- or middle-income family is five times greater than that of a young person coming from a very low income family.

We are quite ready to acknowledge that hopefully this situation in 1971 is a little better than that, but, nevertheless, I think the situation is dramatic enough for us to illustrate it for the committee.

Mrs. GREEN. Dr. Muirhead, before you move that chart, previous charts have been based on the percentage of those who are in the upper 25 percent of their class academically in high school.

Does this take into consideration their academic ability in any way?

Dr. MUIRHEAD. It does not, Madam Chairman. This chart is based on the number of high school graduates. It makes an assumption that the amount of ability found in young people from lower income families is comparable to the ability of those in middle and upper middle families.

It makes no distinction with regard to their place in the high—let us say the graduating class in high school.

Mrs. GREEN. Could you perhaps justify the assumption?

Dr. MUIRHEAD. I think the evidence is so overwhelming that whatever adjustments would have to be made with regard to the ability level of young people from low-income families as compared with upper income families would be discounted against this overwhelming disparity, that this chart indicates, that the college going rates for young people, from middle and upper middle families are five times greater.

It could be that a more sophisticated approach to this might reduce that ratio, but, nevertheless, it is a very dramatic disparity, and, largely, it is to that goal that this particular legislation is addressed.

Mrs. Green. There is no consideration there of black vis-a-vis white, or women compared to men?

Dr. Muirhead. No; there is not.

I would speculate, Mrs. Green, that if we were able to provide that type of data, that the disparity vis-a-vis white versus black would be even sharper than the chart that we are sharing with you shows.

Mrs. Green. Thank you.

Dr. Muirhead. It seems to me that in order for this proposal to be thoroughly understood—and there have been some indications that it has been misunderstood, that it is quite often referred to as a vast expansion of student loans for young people to get higher education—it seems to me that we ought to set the record straight on that particular point.

In order to do what can be done in the years immediately ahead to close that gap, this bill proposes that in the first year of its operation the amount of money for grants—and I am using the word "grants" in a generic sense, a sort of definition of a grant is something you do not pay back—for the first year, this bill would propose to raise the grants from the present level of $343 million to $575 million, and in the second year to raise the grant level to $635 million. I think I should share with you, Madam Chairman, and other members of the committee, that at this time we are before the Appropriations Committee with a request to do just this, so that for the first time in my memory we are appearing before the Congress with a proposal, asking for an authorization, while at the same time we are appearing before the Appropriations Committee asking for the money to carry it out.

The second point I think should be made is that, in order to carry out the purposes of this bill, we are going to propose to vastly increase the NDEA program.

I think there has been a good deal of misunderstanding about the thrust of this proposal.

In reality, this proposal would build upon what has been a most significant student aid program in our country, the National Defense Education Act student loan program; and because it has been so successful, this program intends to build upon it.

Now, it would build upon it in a little different manner, but the main dramatic fact is that this proposal, together with the appropriations request which is before the Appropriations Committee, would raise the level of NDEA loan support from $369 million to $1.2 billion.

Now, we might have some differences as to the procedures that are used in doing that, but, nevertheless, if this bill is enacted, and if the Appropriations Committee supports the appropriation request, there will be available $1.2 billion in NDEA loans.

When I say NDEA loans, I mean the loans will be interest free to the young people while they are in school, that they will have an extended period of repayment, and that the interest level will be 3 percent.

I think this is a very dramatic part about the bill, and I am quite sure that we should have a back-and-forth discussion on how this is to be done.

Mrs. GREEN. For the record, Dr. Muirhead, those of us that can see the chart, can understand the breakdown, and can analyze what you have said; however, the person who is reading the record a month from now might be greatly misled, so would you explain how much the Federal Government is giving now in terms of NDEA subsidized loans, and how much it is going to give in 1971, 1972, if Congress approves this proposal?

Dr. MUIRHEAD. By all means.

This chart illustrates that at the present time there is available $369 million in NDEA loan support, provided through $237 million of Federal contribution, $105 million coming from the colleges and universities revolving fund, that is, the repayments that have been made to the colleges and continue to be made to the colleges of loans made in previous years; and $27 million representing the institutional matching, which is a legal requirement under the NDEA program now, all of it totaling $369 million.

This proposal would provide capital to support the foundation program for needy students, would provide capital in the amount of $800 million, would continue the revolving fund.

Mrs. GREEN. The $800 million would be private capital, not Federal funds?

Dr. MUIRHEAD. By all means.

I thought after I explained each of these, I would explain how it would be financed.

The $800 million would be provided in capital, as would the continuation of the revolving fund, which amounts to $140 million, and there would be provided $250 million of NDEA type loans, to permit young people more freedom of choice in the selection of their institution.

Now, how would that be financed? It would be financed in a markedly different way than it is now financed.

The NDEA program now is financed with on the budget Federal capital contributions, basically.

This program would seek to set up a secondary market, called the National Student Loan Association, which would purchase capital in the private marketplace and make that available to colleges and to lenders. In each of those negotiations, the Federal Government would stand behind the negotiations with a Federal guarantee, and would pay the subsidized interest, and the interest that would be paid would result in having the student pay no interest while he is in school, and pay 3 percent during the repayment period.

We have estimated, Madam Chariman, that in the first year of operation of this program, that it would cost the Federal Government $85 million to pay the interest subsidy.

I would be quick to point out, as I am sure that I should, that this represents a first year cost, and that in subsequent years this would be a continuing cost for subsidy, but for the first year of operation of the program, the total Federal on the budget cost would be $85 million, as compared with the Federal on the budget cost at the present time of $237 million. The net result would be that there would be available to young people $1.2 billion of funds for NDEA loans, as compared with $369 million now.

Mrs. Green. The gentleman from Wisconsin.

Mr. Steiger. Dr. Muirhead, it remains unclear, at least in one member's mind, where the $250 million cost of the education loan comes from?

Dr. Muirhead. Yes. The $250 million cost of education loan would come ultimately from the same source that the $800 million would, that is through the purchase of capital, from the NSLA, which would be set up to provide the secondary market, and to purchase loans from the colleges, and to reimburse them for the capital involved in those loans.

I think it would be well to point out that the proposal that is now before the Appropriations Committee anticipates that it may take a little time to set up the NSLA, and it undoubtedly will take a little time, but we are so confident that it will operate that the budget that is before the Appropriations Committee now contains an item of $250 million to get this program started, and contains an item of $150 million to get this program started, and we believe that by the time the academic year comes to a close, that NSLA will be in operation, and that the loans that have been made with that $400 million that is on the budget, will be purchased by NSLA, and it will then result in a nonexpenditure on the budget by the end of the college year.

Mr. Steiger. One more question, if the Chair will allow it.

Why do we put the 250 in a different category than the 800?

Dr. Muirhead. Yes. I think that is a question that has caused some confusion, and it is well that we should explain it.

We put it in a different category, because we want to emphasize that the proposal that is before you will insure a basic level of support for all students, and according to our budget request, will support at a level of $1,400.

We are saying that for many such students, $1,400 will not be enough, that they will enter institutions that will cost more than that, and, therefore, they should have available to them additional subsidized loans. In order to illustrate that point, Mr. Steiger, providing freedom of choice to the student, we have opted upward the cost of these education loans.

Mr. Steiger. But they are really no different than the $800 million that is available from private capital?

Dr. Muirhead. If I could offer a suggestion, I think the next chart or two will amplify the reason for this illustration, showing distinctions in level of support needed by different kinds of young people, and that is an attempt to carry out that differentiation.

Mr. Steiger. I understand. You are really talking about a $1,005 million, and a certain portion from the private sector, the $250 million will be available to the selected students who attend an institution of higher education, which is at a higher cost than the other.

Dr. Muirhead. That is it precisely. The loans are exactly the same in terms that go to the students. They are NDEA loans. We make that distinction in order to show that the proposal that is before you will permit students to go to institutions that cost more than $1,400, but aside from that distinction, the loans are exactly the same.

Mr. **Dellenback.** Dr. Muirhead, may I follow this point.

I see several different aspects in what we are reaching for, namely; what is the total amount that will be available to students, what will be the source of such funds, who will receive them. We can go over all of those, but if we look at the present situation, we see that the cost on budget is $237 million.

Dr. **Muirhead.** Yes.

Mr. **Dellenback.** Our concern in part is what will be the appropriation impact of the new program.

Now, you have indicated that the long term impact is expected to be $85 million, but I infer from what you said earlier about your presentation to the Appropriations Committee that you are initially asking for $400 million, of which $315 million, I gather, you expect to be repaid before the budget year is out, is that correct?

Dr. **Muirhead.** That is almost correct, Mr. Dellenback.

We are asking for $400 million in addition to the $85 million. We are asking for the $400 million in order to implement this program of the use of the secondary market, and we are saying that rather than have the colleges and the universities take the risk, if there is a risk of NSLA being in operation, that the Federal Government is willing to take that risk.

Mr. **Dellenback.** With the $400 million being in effect working capital to permit the program to function.

I infer then that you are asking the Appropriations Committee for $250 million, which is the portion of funding necessary for what is referred to on the chart as cost of education loans—the expectation being that the Federal Government would be sure that that much was available for those loans. And if nothing should evolve in the way of private capital made available to pick this up, we would have at least as much in available Federal money as would be available under the present program under Federal capital contributions. So even if the secondary market did not really function as we expected it to, or as the administration expects it to, there would be at least that much money available, is that correct, as a beginning?

Dr. **Muirhead.** That is correct.

Mr. **Dellenback.** In addition, you are saying there will be $150 million made available to start the funding of the private capital in another category of the same thing, which we have referred to. And, again, if for any reason, the private secondary market did not develop as you expect it to, there would be at least that additional $150 million available to students. So that while you expect the other procedure to evolve, there will be as a minimum this year, in stepped up aid to students, the $140, which is the repayment of the revolving fund, $250 million in this funding for the cost of education loan, $150 million in private capital, and an additional $85 million, which you are asking for in the budget, is this correct?

Dr. **Muirhead.** Yes, I think it is, but I think I would like to say again, for the record, that these steps that we are proposing in the budget are predicated upon the establishment of this program.

Clearly, you are quite right, that the $250 million that is provided for what we choose to call cost of education loans, which are really

NDEA loans, would be available in the unlikely event that NSLA would not be operative.

The $150 million dollars, which is based upon the program that is before you, the new structure of the program that is before you, it seems to me that we must be rather confident that the NSLA will operate, if we are willing to provide the $150 million to get this program started in anticipation of building the new type of NDEA program support.

I would think that in the very unlikely event that the NSLA did not come into being, that we would probably have to find another way to utilize the $150 million, because the $150 million is directed toward the foundation program.

Mrs. **Green**. Dr. Muirhead, I see a little different picture in those charts than my colleague from Oregon.

First, the revolving fund of $140 million, do you intend to phase that out?

Dr. **Muirhead**. May I respond to that?

We do not intend to phase it out. The revolving fund will stay as is, except that there will not be additional money added to it.

The revolving fund——

Mr. **Quie**. There will be additional money added to it as the students who received NDEA loans repay them, but there will not be any additional money from the new loans for 1971.

Dr. **Muirhead**. There will be no new capital added to it, but the revolving fund will continue, and, as you know, as the program has been in operation now for 12 years, and is now reaching maturity, so that this revolving fund will continue for many years.

Mrs. **Green**. Dr. Muirhead, you do not intend to replace the cost of forgiveness and delinquencies in the revolving fund, do you?

Dr. **Muirhead**. We are before you, Madam Chairman, with a recommendation to drop the forgiveness, and we expect that this would receive support from your committee, granted that the forgiveness that has been contracted for will continue to be drawn from the revolving fund.

Mrs. **Green**. Then if the forgiveness is not eliminated, and I see no prospect in this Congress that all of the forgiveness will be canceled, over a period of time, is it not true that revolving fund over a period of time will be phased out?

Dr. **Muirhead**. You are quite right. It will reduce at a more rapid rate if we continue to have forgiveness.

We are making assumptions that we will be able to persuade this committee, and this committee in some respects has taken considerable leadership in having us reexamine that question of forgiveness.

Mrs. **Green**. My second question is that right now the administration is on an expansionary policy moneywise, but how are students under NDEA subsidized loans protected when we go into a period of very tight money—when there simply is not enough private capital for housing or anything else, a situation such as existed less than a year ago?

Dr. **Muirhead**. I am quite sure this legislation or any other legislation cannot anticipate all of the moves of the economy, but I think it would be fair to share with you that despite the rather rigorous time we have been through with regard to the money market, that the guaranteed loan program continued to grow, and continued to grow very dramatically, during a period of very tight money situations, which I hope, and I am quite sure all of you hope, will not be repeated in the years ahead.

Mrs. **Green.** But you would admit that there were many students that could not get guaranteed student loans?

Dr. **Muirhead.** I would certainly admit that, and I would also like to indicate that we are addressing that problem through the establishment of NSLA, and it is precisely to that problem that we are addressing ourselves by saying we need another mechanism to provide enough capital so that young people, when they go to the bank, will not be turned down.

We are saying that young people should be able to go to a college, and make a loan, and that there should be available to them capital from the private marketplace, and our solution to that problem is to set up NSLA as a secondary market, which we think will generate a great deal more capital for student loans.

Mr. **Steiger.** Mr. Muirhead, where does the $35 million income in the revolving fund come from in this short period of time?

Dr. **Muirhead.** The NDEA loan program has been in operation now for 12 years. It will continue, it seems to me, as our projections show, it will continue to have an increase in repayments, because the loans are coming to maturity.

More of them are coming to maturity each year. In other words, there will be more loans in repayment status in this particular college year than in the previous college year.

Mr. **Steiger.** Are you estimating $35 million in repayment?

Dr. **Muirhead.** We are estimating there will be a sufficiently large number of students who will move into a repayment status in the next year to represent a $35 million increase over the present year.

Mr. **Brademas.** Madam Chairman, if I may, Mr. Muirhead, just to read a little statement I have prepared here representing an analysis of a couple of aspects of your proposal, and perhaps you could respond.

As I understand it, the NSLA proposal contemplates that institutions, banks, and other eligible lenders could either sell student loan paper or mortgage it, and under the purchase part of your proposal, student paper would be sold at a 2 or 3 percent discount to cover the association's cost.

It seems evident from this, that the purchase option will not be attractive to banks, since there is a built-in loss for them.

Institutions will probably be the main sellers of student paper, and they will make up their loss probably by inflating tuition and other charges, therefore, may I ask you for a breakdown as to how much in the end through the 20-year repayment period this arrangement will cost the student?

On the basis of market rate, it could be very expensive to the student.

That is point No. 1.

Point No. 2 goes to the attention of the warehouse option on which banks particularly for good reason are to be more interested.

As I understand it, you would propose eliminating the 7-percent interest ceiling, and market rate loans could be warehoused up to 80 percent of the principal. This could mean on a loan, for example, of a hundred dollars, the bank could charge the student 11 percent, and through warehousing, have only $20 of its own capital outstanding, paying the NSLA 6 percent for its service, which is the figure I believe you quoted.

This means a real return for the bank of 31 percent on its $20 outstanding, up to the time the student begins to repay the principal, which it is suggested seems overly generous to banks.

Those are the two analyses.

I would be glad if you could tell me if they are accurate, or if you could comment on that.

Dr. Muirhead. Yes. I would be glad to try to respond to those, and all of this of course is based upon projections.

First of all, the first question, that the NSLA would purchase the student loan paper at a discount. I would like to report to you that our plans do not contemplate that that will happen.

We have plans for the NSLA which are established on the NSLA charging an interest rate that represents, first of all, the interest they have to pay on their debenture, it represents for them a service charge for the collection of the loans which they may ask someone else to do, and it represents for NSLA a modest profit.

Our projections indicate that that interest rate which NSLA would charge would be possibly in the neighborhood of 7¼ to 7½ percent.

The interest rate which NSLA would charge, in the purchase of subsidized loans, and we will talk about them for a moment, because that is the major part of the thrust of the administration bill, would be arrived at in consultation with the Secretary of HEW, Secretary of the Treasury, and the Director of NSLA.

We feel that that interest rate which they charge, which we are estimating to be in the neighborhood of 7¼ to 7½ percent, would cover their costs, would yield, to them, sufficient profit to encourage people to purchase stock in NSLA, and would permit them to purchase the loans at par, and our reasoning for that is that this loan paper that is behind it has the guarantee of the Federal Government, and we are reasoning behind it also that NSLA would be able to predict for a reasonable period of time what the money market might be.

Consequently, we feel the interest rate which NSLA will charge will be sufficient to keep them whole, and will not make it necessary for them to purchase loans at a discount rate.

I think if we are wrong on that, and I don't think we are, but if we are wrong on that, I think that would be a serious handicap to the program in regard to the colleges.

Our best judgment is that the interest rate which NSLA would charge would permit them to purchase the loan paper at par.

Mr. Brademas. What about the question of the overall cost to the student?

Dr. Muirhead. The overall cost to the student would be the interest rate which NSLA finds it is necessary to charge on the paper, and if the loan is subsidized, then that particular interest is borne by the Government.

The student who gets one of these loans from this $1.2 billion would pay no interest while he is in school, and he would have a specified interest to pay during the repayment period.

Mr. Brademas. Could I just ask you to comment on the other half, and then I will stop.

I am, in all candor, still not altogether clear on this, but the question I r~~aised as to~~ the warehousing rule, and ~~the pos~~sibility of the very substantial returns to the bank, that is bothering me.

Dr. Muirhead. You are quite right in developing your question, Mr. Brademas, that the warehousing feature of NSLA would be utilized by banks rather than by colleges, because it is more in their way of operation to do so.

Again, however, I would have to reiterate that the interest rate which NSLA would charge in purchasing loans, would be determined in consultation between the Secretary of the Treasury, Secretary of HEW, and the Director of the NSLA.

We do not anticipate that that interest rate would come anywhere near what the interest rate you are sharing with us of 11 percent.

We do not anticipate that the banks would move much beyond the established market rate, which would be agreed to by the Secretary of the Treasury, and HEW, and the Director of NSLA, so that if those assumptions are accepted, then it would seem that the fears are not well founded, that the banks would find this a bonanza.

Mr. Quie. Madam Chairman, Mr. Muirhead, you are talking only about the private capital of $800 million, only about subsidized loans, is that right?

Dr. Muirhead. Yes, I was talking about that largely, but in partial response to Congressman Brademas' question.

Mr. Quie. So there will be some additional private capital made available as well for the guarantee loan program to keep functioning?

Dr. Muirhead. By all means.

Mr. Quie. On the subsidized loans, will only the institutions of higher education administer them, as presently is the case, or can banks as well?

Dr. Muirhead. The banks can get into the subsidized loan program in the event the colleges find it is not convenient for them to do so, or they do not wish to do so, and we expect, Congressman Quie, that the majority of participation of this program will come through the colleges or universities, but private lenders can be involved.

Mr. Quie. It will be necessary for them to have a contract with an institution of higher education for them to be involved in it, or can it be strictly a student-bank relationship?

Dr. Muirhead. It would be necessary to maintain the same relationship between the college and the lender that now is obtained in the guarantee loan program.

Mr. Quie. Which is not very much.

Dr. Muirhead. We would require the student who is eligible for this basic loan would have to be certified to that eligibility by the college he was attending, and would take that piece of paper to the bank, and that the bank would not issue a loan under this program without that certification.

Mr. Quie. So to that extent, the subsidized loan program would be somewhat similar to the way the guaranteed loan program presently operates.

Dr. Muirhead. Except that the terms——

Mr. Quie. I know, the terms are different, because there is no interest while in college, which is the same, and about 3 percent during the repayment period, rather than the 7 percent during repayment.

Now, on that $250 million that is requested in the appropriation, and there is $150 million requested in the appropriation, to make certain that the NSLA operates.

Suppose that the NSLA cannot operate, you would have more than enough money for the cost of education loans, the NDEA-type loan to students which would go to a higher cost institution, but you would not have enough money for the NDEA-type loan that went to students attending an institution that cost less than the $1,400?

Dr. MUIRHEAD. No, we would not.

Again, I return to the point that our proposal rests very heavily upon the establishment of NSLA.

We are confident that it will operate, and we are sufficiently confident that we have put $400 million in the budget in anticipation of it.

Mr. QUIE. Would you have any objection to us providing in the legislation that the $400 million could be used in any of the NDEA-type loans, whether or not it is the students that cost more than $1,400, or the ones that cost less, rather than tying up $250 million to that cost-of-education loan?

Dr. MUIRHEAD. Well, we would have no objection to having the legislation carefully indicate that the $250 million that we are speaking about here would be distributed on the same basis as NDEA loans.

I think it would considerably distort the concept we are trying to establish if we were to have authorization for that $150 million to be directed toward a foundation program, which is based on $800 million support, and we only had $150 million.

It would be so far removed from the concept we are trying to establish, that I think we would prefer that not be labeled.

Mr. QUIE. So you do not want the $150 million to be used for the cost of education, but you would not mind it to be used for the total NDEA loan program?

Dr. MUIRHEAD. Well, we could not mind, because we are saying that the $250 million is in effect an NDEA loan, and will be given under the same terms as the NDEA loan.

Mr. QUIE. Suppose that the NSLA operates well this year and thereafter to such an extent that you do not have to spend the $150 million or you would be repaid the $150 million that is appropriated to you to get the NSLA going, but 3 years down the road, all that money dries up, as has happened in the Fannie May housing program, would that money, the $150 million be carried forward, rather than be spent by the Office of Education, so that it would always be there as a guarantee, or an insurance, that the loans in that amount at least would be available.

I will ask the same question about the $250 million, as I understood your answer, and that would mean that there would be a total of $400 million that would be available continuously as the insurance to back it up.

Mr. MUIRHEAD. I obviously cannot answer your question precisely whether or not there would be $400 million in the budget each year to insure the adequate operation of NSLA, which is the case this year.

This is a first-year effort, sort of a priming; but I would answer your question this way, Congressman Quie; the administration program does provide a commitment to see to it that this type of support will be made to NSLA, and if the circumstances described should come about, that commitment would be honored.

Mr. CROSS. Mr. Quie, it does provide that liquidity, should it be a problem somewhere down the line, section 456 does permit the Secretary of the Treasury to buy a quarter of a billion dollars to give it liquidity over a temporary period of time.

It does permit that the $250 million would be available in any event.

Mr. QUIE. That is over and above the $250 million?

Mr. CROSS. That is assumed it would be after the initial.

Mr. QUIE. My question is, do the funds remaining at the end of fiscal year 1972 revert to the Treasury or are they held in escrow to be available at anytime in the future?

Dr. MUIRHEAD. As the appropriation language is now presented, that $400 million would revert to the Treasury, but the authorization loan, that Mr. Cross just shared with us, makes it very clear that that commitment, which that $400 million represents is a permanent commitment.

Mr. QUIE. So the authorization is there.

I think there would be some merit to keeping at least some figure available, such as the case with section 32 of the Agricultural Act, which makes certain there will always be $300 million available to buy excess oranges if they have a greater supply in Florida than they expected to have.

Dr. MUIRHEAD. Our proposal is in effect saying there will be authorization to provide $250 million in the event that NSLA runs into difficult times.

Mrs. GREEN. Dr. Muirhead, as I watched the program over the last decade, it has seemed to me that the NDEA loan program has been one of the most successful, if not the most successful, assistance program that we have had for people in higher education.

Outside of making the current budget look better, is there any other reason for the recommended changes in NDEA when it has been working so well?

Dr. MARLAND. Could I take a general response to that, in attempting to discuss the administration's position.

As I have persuaded myself of the widsom of this proposal, having come late to its deliberation, I draw the parallel with the family that did not have a place to live, or had so many children it needed a new place in which to live, we have many children with no place to go to school.

We have decided like most families of fixed income, that we take that fixed income and get a house where we have to have a mortgage, a very conventional practice in our economy, so that we can double the number of people being affected, house them, accommodate them, and to pay no more, and in many cases, indeed less. What we are doing here is to aid another million young people. So it is indeed a mortgage, and it is in that philosophy that Mr. Muirhead has been attempting to warrant the relatively lower costs on the budget, and the higher number of services being performed.

Mr. SCHEUER. What is the mortgage on?

Dr. MARLAND. It is a mortgage on the buying of dollars to achieve our goal, as distinguished from paying them out of pocket, when the pocket money we have would not buy a bigger house for the children.

Mr. SCHEUER. What is the security?

Dr. MARLAND. The U.S. Government.

Mrs. **Green**. Mr. Commissioner, following up your answer, there really has been a marked change in this administration in regard to the NDEA.

In 1969, the contribution to the fund was $190 million.

In 1970, it was $155 million. In 1971, it was $135 million, and it is my understanding that the request for 1972 will be $5 million.

My question, and really it is to Dr. Muirhead, is outside of the fact that it makes the budget look better in any given year, is there any other reason for changing the NDEA program in such a drastic way?

Dr. **Muirhead**. Madam Chairman, may I respond to that?

I think the single most persuasive reason for changing the NDEA is that we need a larger NDEA, and it has been so singularly successful in this country, and has helped so many young people, that the administration is saying "Let us increase it fourfold, and let us increase it from the level of $369 million to $1.2 billion."

You are quite right in saying that it does not represent a larger Federal cost on the budget, but it does represent $1.2 billion that will be available to young people, four times the amount before, and it does indicate that the budget is not cut.

I think we should make this abundantly clear that the budget for student aid in this program is increased dramatically.

Mrs. **Green**. Dr. Muirhead, if I may interrupt, what you are really saying is the only reason is to make the budget look better, because if we wanted to get $1.9 billion outside, without making the budget look good, it is certainly within the power of the Government to provide that $1.9 billion.

Dr. **Muirhead**. You are quiet right.

Mrs. **Green**. Is there any reason then other than budget appearance for the changes in NDEA?

Dr. **Muirhead**. There is another reason than the budget appearances, and that is that with the amount of resources that are available we are making a proposal to you that shifts the increase from loans to grants, while at the same time we are providing four times as many loans.

Mr. **Pucinski**. We are now spending some $2,100 a year for higher education in this country as against only $700 a year for elementary and secondary education.

Now, by going to your proposal, how much money would you be able to save which hopefully could go to elementary and secondary education to close that gap?

Dr. **Muirhead**. Mr. Pucinski, that is not a part of the objective of the legislation before you.

What we have said is that such money as we can save from——

Mr. **Pucinski**. How much would you say?

Dr. **Muirhead**. In this particular instance, we are providing four times as many loans with an expenditure of $85 million, as compared with $273 million.

Mr. **Pucinski**. We are talking about $150 million saved?

Dr. **Muirhead**. That is right.

Mr. **Steiger**. Do you pick that up?

Dr. **Muirhead**. We have chosen to put that $150 million and more into grants, which I think is perfectly fair to show that chart in conjunction with the loan chart.

The budget is being increased for student aid. Such money as is saved from increasing NDEA four times is moved over here to increase in grants for young people, the level of $575, and it will go to $635 in the second year.

Mr. Pucinski. I am looking for an answer that will really solve my hope, and that is to close the gap between the money we spend on elementary and secondary education and the money we spend on higher education, and can I find that in your formulation?

Dr. Marland. Our proposal this year is made with the realization that the Office of Education has many priorities that it confronts, and it has to make choices as to which priorities are first.

It has leaned toward elementary education. We have over the past several years leaned heavily on the disadvantaged in elementary and secondary education, and we will continue to do so.

I would point out that the elementary and secondary education budget will, with legislation coming before this committee quite soon, propose a $1.5 billion increase in elementary and secondary education aimed toward the removal of racial isolation.

It will be called the Emergency School Assistance Program for 1972.

That is a very substantial increase. It is aimed toward the great social problems as well as educational problems deriving from racial segregation.

Mr. Pucinski. I appreciate what you are saying, but that does not address itself to the basic question that disturbs me.

I am concerned with the fact that the elementary and secondary school system in this country is undergoing its worst crisis.

New York City is laying off 10,000 teachers. Wilmette, Ill., one of the best suburbs in the country, is laying off 14 teachers.

All over the country, school districts are going to curtail school terms, and they may lose their accreditation if they do.

There is a real crisis in elementary and secondary school levels.

I can see a great deal of merit in your program. It seems to me a youngster, if he wants a college education, ought to take out a loan, and as he increases in earning capacity, he ought to repay that loan.

I know a lot of young people do it, and do it very well. I could support this program if I had some assurance that that money will go to help to solve the crisis at the elementary and secondary level, and that crisis cannot wait.

Dr. Marland. We have, within the funds that we can secure for 1972, had to make balances. We have made cuts in elementary and secondary education to improve this one, and one could say in the planning and deliberations and negotiating to be done, these kind of deliberations have caused a swap over from this to that, and we are bringing what we hope is a balanced proposition at this time.

Mr. Esch. The gentleman made a statement they are reducing funds. I think it should be clarified the need to change from the NDEA concept, first of all, based on the fact of using the private money market as a leverage to increase substantially the money available for student loans, and taking that, we are trading that off for placing money into programs which will be of special benefit to those students who are in particular need in terms of work study and grants so that the program has a twofold thrust.

It will increase the general funds available to all students while at the same time, it will place a higher priority on the students who are most needy. Within the scope of student assistance, it seems to me those are two admirable goals.

Mr. PUCINSKI. I have one more question to ask Dr. Muirhead.

This idea of getting a bigger bang for the Federal dollar, by underwriting interest instead of actually providing the loan, I think it has a great deal of merit, but, Dr. Muirhead, how does this differ from a proposal made about 6 years ago when it was attempted to try to sell this concept? Do you recall at that time it was said we could get a tremendous increase of student loans by going this route, and if my memory serves me correctly, at that time the Department was not too enthusiastic about the idea? It was proposed here in the Congress.

Dr. MUIRHEAD. May I share with you another chart?

Mr. PUCINSKI. Did you give me an answer to that?

Dr. MUIRHEAD. Well, my answer would be that there was established the guarantee loan program which did provide loans through the purchase of private capital.

Mrs. GREEN. Dr. Muirhead, will you provide for the record how much more it will cost the Government in the long run, if we proceed under this plan, because obviously the $1.9 or almost $2 billion that you are talking about, if it comes from the private loan market, is going to cost more than if the Federal Government pays, and, therefore, the interest cost on the subsidized loans that the Federal Government is going to pay will be considerably greater.

If you remember, once before we went through this charade of how much we are going to save, when really in the long run it cost the Government more.

Dr. MUIRHEAD. Yes; I would be very pleased to provide that for the record. I had hoped to go into detail at a later point. To give an answer in general terms, you are quite right.

It will cost the Government more in the long run, but not as much more as some people think.

Mrs. GREEN. That is little comfort to me.

Mr. STEIGER. Who are some people?

Dr. MUIRHEAD. Under the NDEA program, the cost of the money to the Government on the budget, at the present time, runs to about 5 percent.

We would expect that the NSLA would be able to purchase capital in the private marketplace at not much more than a half or three-quarters of a percent above that, and so we will provide this for the record—the tabulation of the interest costs to the Government under the NDEA, as compared to the cost of the Government utilizing NSLA—but the spread will not be as dramatic as some people think it might be, and it probably will not be much more than one and a quarter percent.

Mrs. GREEN. And it might be more than other people think it might be.

Dr. MUIRHEAD. We are now looking at a chart which shows the number of students that are benefited under the present program, and under the program we are asking you to consider, and I think this probably is the very crux of the whole rationale for our program.

This chart shows that in the academic year, 1970-71, the present academic year, that 1.6 million young people coming from families under $10,000 are receiving assistance.

The proposal that is before you would provide assistance to 2.3 ~~million young~~ people from families under $10,000, an increase of approximately 1 million additional needy students that would receive aid, and this, it seems to me, is the most dramatic portrayal of the worth of the program that we are sharing with you. There is before the Appropriations Committee a request of a sufficient level to make it possible to help a million additional young people with their higher education costs next year, 1 million more than is now being supported.

Mr. **Steiger**. Dr. Muirhead, may I inquire further on that.

In estimating the additional million students to be benefited, are those students in the institutions of higher education included, or are these new enrollees that are now prevented from coming into college, but who would come in through this program?

Dr. **Muirhead**. This estimate is based on providing help to both groups that I have identified.

There are at the present time many, many thousands of needy students who are not getting assistance.

This program would deal with them even handedly, and say, if you come from a family of this income level, then you will get this basic assistance.

The program also is directed at, as the commissioner pointed out in his statement, reassuring young people in high school that assistance is available to them, and, as a result of that, we expect that a substantial number of young people that we now characterize as the talent loss, will be salvaged by this program.

Our best estimate of that, Congressman Steiger, is under the projections we have: That at the present time, about 350,000 high school seniors each year do not continue with their post-secondary education for a variety of reasons, but the dominant reason is lack of finances.

We are saying that this program will not spring from the ground full blown and resolve that problem in 1 year.

It will take a while. We think that perhaps a modest goal for this program would be to reduce that talent loss by 20 to 25 percent in the first year.

Mr. **Steiger**. Given the testimony that this subcommittee has heard, from institutions across the country, are there places for all of the new students?

Dr. **Muirhead**. We expect that there are places for all of these new students.

I think that you should know, and you do know, Congressman Steiger, but let the record show that this aid would go to post-secondary institutions, not just to 4-year colleges and universities, and we would expect that the post-secondary institutions of this Nation could absorb the additional students, which is not the million, but a significant part of the talent lost that I referred to.

Our best judgment is that perhaps 60,000 to 75,000 additional students would go, who would not otherwise go, and we think the post-secondary institutions can absorb that number of additional students.

Mr. **Brademas**. Madam Chairman, I must go to another meeting, to protect the staff's money, of our committee, and I hope the subcommittee will appreciate greatly this sacrifice, that I will defend her interest as well as mine. [Laughter.]

I just want to make one observation, by way of observation, and I note that in Commissioner Marland's statement of March 2, he, in justifying the proposal you have been describing, Dr. Muirhead, said the national student loan program requires capital outlays from the Federal Government, and it is in there, and, in essence, it seems to me the reason you have gone through the trouble of this extraordinary elaborate rearrangement is to try to basically kill off what has been a very popular and successful program, so that the Office of the Budget has said to the Office of Education, "Now, why don't you fellows figure out a way you can save us a couple of hundred million dollars?"

Mrs. GREEN. For this year only.

Mr. BRADEMAS. The whole point of the thing seems to be—and the Johnson administration tried to do the same thing and was strongly opposed by Democrats as well as Republicans on this subcommittee—to make the administration look good on the red side of the budget.

The response we get is that we live in a world of restraints: we in the HEW; we in the Office of Education.

I understand your problem, but it does seem to me to be quite bizzare: That we are supposed to vote on this $290 million for the celebrated SST, and you want to kill off a little old $140-million revolving loan program for the NDEA, and you are willing to come up with $200 million dollars to back up your new proposed student loan situation. It seems to me that here we have a classic example of how we have everything mixed up in this country.

It is very distressing to me where the country is going.

Dr. MUIRHEAD. I would like to respond to that. I think, Mr. Brademas, that it is equally bizarre for us to report to this committee that a budget request for the support of higher education that is being increased from $900 million to $1.9 billion represents an attempt not to cut back.

Mr. BRADEMAS. I will be very glad to get into that at great length with you, Dr. Muirhead, but not here this morning though.

It is just a very sad day in terms of where the country is going when I see this kind of effort.

Mr. ERLENBORN. I cannot help but think the gentleman's comments are somewhat colored, beginning with the comment that he is going to another subcommittee meeting to save the funds of the staff of this subcommittee.

As I understand the exercise, it is to prohibit the Republican members to get some staff funds.

Mr. BRADEMAS. Let's take a little of that SST money.

Mr. ERLENBORN. And, furthermore, his statement indicates that somehow or other we are reducing the Federal expenditure to higher education to make the budget look better.

As I understand the testimony this morning, there would be a shift of the expenditure of Federal funds from the loan program to the grant program, and the overall impact is an increase in Federal expenditure for higher education; is that right, Dr. Muirhead?

Dr. MUIRHEAD. That is perfectly right; and we have, you know, documentation to support it.

Ordinarily when we appear before an appropriations committee we have the promise of documentation to support it, but there is before the Congress now a budget which increases almost by twofold the support of higher education. I think the record should also show that there is no attempt to dismantle and do away with the NDEA, but rather to build upon its successes, and to provide the program with fourfold support.

That it seems to me is not abandoning the NDEA.

Dr. **Marland.** I am not sure that the record showed quite clearly the budget being presented now before the Appropriations Committee, as compared with the current 1971 budget for higher education—$0.9 billion for 1971, $1.9 billion for 1972.

This is a higher education budget alone, discounting all of the other parts.

That budget now sits on the desk of Chairman Flood.

Mr. **Dellenback.** I would like to just add a word. I know the gentleman from Indiana is sincerely interested in aid to higher education as the gentleman from Oregon, so I am particularly troubled when he characterizes as he has that which is being proposed this year.

Mr. **Brademas.** People have systematically misrepresented or not heard what I said.

I said that what troubles me is that the Government—if you look at Dr. Marland's own statement, he is justifying this proposal in part on grounds of pressures of the budget.

It is right there in his report. I said I was troubled by the proposal of the administration to stop the capital loan fund, the capital contribution which represents red ink for the Treasury, which goes to colleges and universities for the NDEA program.

I was troubled by their proposal to stop that program.

I take it that that is what he said.

Mr. **Dellenback.** If you settle for that particular phrase, Mr. Brademas, I think that is fine.

Mr. **Brademas.** I did not criticize the proposal on grounds that it represents a decrease in the next year over this year in your higher education proposal.

You cannot show from the reporter here I said that, so please feel free to criticize me, but not from what I did not say.

Mr. **Dellenback.** If I may conclude, it seems to me that instead of heeding to your words such as justifying, or such words as I consider at least potentially as having a loaded interpretation, I read this testimony this morning as saying essentially two things to us.

One, there is an increase proposed for budgetary expenditures for higher education.

Two, because of the increase itself and in even larger part because of the change which is proposed in the distribution of those funds, there will be an increase in the number of students who are aided, far beyond the 2 to 1 increase.

There is a proposed increase as the Commissioner has just indicated of about 2 to 1 in dollars being spent.

We see an increase of 3 to 1, or 4 to 1, the number of students being aided, so we see a changed and a potentially improved distribution method, which ends up with more money begin spent—not less—and many more students being aided.

Mr. **Steiger.** I would only say that I really hope the gentleman from Indiana would stay with us here.

I think the contribution he makes is very worthwhile.

Mrs. GREEN. Dr. Muirhead, I believe Mr. Steiger asked if there was room for the additional million which you are urging on the colleges and universities.

My question would be—and I listened to your responses in terms of community colleges—do you think that it really is possible to ask colleges and universities to take on the education of another million students, without sacrificing quality? And, second, is it fair for the Federal Government to adopt policies that would obviously increase the college population by a million, and do nothing to aid the institutions in defraying their increased costs in subsidizing a large part of the education?

Dr. MUIRHEAD. I think, Madam Chairman, that I misled both you and Congressman Steiger in my response to his question, by leaving the impression with you that this students' aid proposal would result in a 1-million increase in student enrollments.

Mr. STEIGER. You said 65,000 or 70,000 new.

Dr. MUIRHEAD. That is what I hoped I had said.

My response brings it directly to your question, that if we had a proposal before you that had as its goal an increase of 1 million new students in the upcoming college year, that I would indeed be very concerned if we were not bringing along with that some recognition of the increased cost to institutions.

Mrs. GREEN. What are your figures on projected enrollments? When do you reach 10 million students?

Dr. MUIRHEAD. Our figures on projected enrollments indicate the enrollment of higher education continue to increase about the rate of 3.4 to 5 percent, moving to about 9 million by 1975 and 1976, and then hitting a kind of table.

I think probably our projections would show it would be 1980 before we would reach 10 million, but I would ask the privilege of putting that information into the record.

Mrs. GREEN. I was trying to do my arithmetic.

Mr. STEIGER. Dr. Muirhead, let me follow up the chairman's question on this.

I am a bit disturbed about two things. One, the fact that we are urging through this budget over a period of years which is a significant increase.

I do not see how you view the projections. No matter how you estimate the 9 million enrollment, we are encouraging additional students to go on to institutions of higher education.

Coupling that with the reductions in the budget for vocational education, how do we justify the substantial increase in higher education while at the same time reducing the Federal budget in vocational education; and at the very point that the task force created by Secretary Finch reported that we are encouraging too much emphasis on college education.

How do we reconcile this?

Mr. PUCINSKI. Do you mean postsecondary vocational education, or vocational education in the secondary schools?

Mr. STEIGER. A little bit of both.

Dr. MARLAND. Madam Chairman, I will try to reply to Mr. Steiger's question.

It is a little bit of both. The proposal that appears before you in higher education includes the career components, implicit in community colleges.

The proposal before you concerned with the higher education foundation has very strong implications for reforming our higher education system so as to place greatly increased emphasis on career education, especially in community colleges.

The reduction in the budget for vocational training and for education at the elementary and secondary level is, I hope, a very short-term reduction this year, having to do with pooling our vocational technical energies, particularly in research and development this year, during the remainder of 1971, and during 1972, to attempt to create a major reform in this field of elementary and secondary education.

We feel at this time, in spite of the many pieces of critical testimony, that vocational and technical education at our high schools around this country is quite unsatisfactory, quite inconsistent with the real needs of young people, and the real needs of our industrial economy.

Much, much more has to be done to increase its effectiveness and its reality.

We feel that at this point, this year, any significant increase in vocational technical education would merely produce more of the same.

The position of the Office of Education is that this is not good enough.

We are therefore mounting what would be somewhere between five and 10 major reform demonstrations during 1971 and 1972, following which I would hope to be back before this committee with a massive reform model for vocational technical education, and the corresponding massive budget to go with it.

I would hesitate to attempt a major commitment in dollars to vocational education at this stage of the art, lest we do what we did in all earnestness and seriousness with title I some years ago, and pour money without plan, without design, and without model, in large sums into a desperate need.

This committee knows that. I am asking for a little time on vocational education before we do that.

Mrs. **Green**. On this point, Dr. Marland, one of the statements you have in your prepared text, it seems to me contradicts what you have said, and I would like to have your explanation.

It seems to me in your statement, you downgrade technical education, and that this is a philosophy that really ought to be abandoned by the Congress, and by the administration. The feeling that somehow you can only speak with great pride if your son is a doctor or your daughter is an engineer, would lead, if this is a national policy, to nothing but great frustration.

Beyond that point, I really have seen tremendous examples of technical education in this country, and they can serve, I would think as the pace setters, as the models for school districts, who do not lack the desire, and who do not lack the know-how of setting up good technical schools, but who lack the funds, because technical education is so much more costly than academic.

Dr. **Marland**. This is true, and unless that record that I have outlined implied there is any lack of concern on the part of the Office of Education for bringing dignity and prestige to career education at all levels, it should be corrected.

I have been on record in many other instances, and I would like to be on record before this committee, that I would include the doctor and the engineer, but with equal vigor, I would say the welder and the draftsman, and the artisan, and the person engaging himself in the technology of the health services.

I count these as very essential to turning around the schools as they now are.

Agreed, there are examples of good technology being taught here and there, and it affects less than 12 percent of the children in our schools, and I hold it must affect at least 50 percent, perhaps 60 percent, if we are going to turn this about in ways that will be meaningful and rewarding, and attach to it the social prestige that we have as a society, and to our embarrassment, attached to higher education in the conventional 4-year liberal art sense. The fact that we do have good examples of vocational education in some places gives us courage to build on them, and this is what we intend to do this year and next year; but, so long as only 12 percent of our young people are affected by this, we must do a great deal more to enhance this and make it attractive, and to get rid of this long obsolete feature of our high school curriculum, the general curriculum. It is no longer relevant.

Mrs. GREEN. Indeed, I have the hope that we will be able to do something about it.

Mr. PUCINSKI. I am very encouraged to hear you give such a responsive answer, Commissioner Marland, to our chairman's question, which really got to the heart of the matter.

I think all of us on this committee have really suffered over the last couple of years over the gross irrelevance of our high school technical education, over our public technical education program.

It is a blooming disaster.

The private technical education institutions are doing so much more relevant work and so much more meaningful and productive work, and it justifies the existence of the private sector which is far ahead of the public sector.

We have to completely redesign the public technical education.

I wonder if we cannot apply the same principle of bringing technical training to the job in the universities. Don't you think that one of the reasons we are far surpassing this 10 million by 1980, is not that we do not have a demand for some kind of postsecondary education, because if you look at what is happening with the demand for open enrollment, if you look at what is happening to Rutgers, if you look at what is happening in California, Florida, in which we have free universal postsecondary education, you see the demand for some kind of postsecondary education, but is not the limiting factor, No. 1, the dollars, a lot of people do not want to encumber themselves with a large loan; and, No. 2, the rigid straitjacket, if they want to partake in any secondary education, it is the lockstep of the 4-year full time education.

It seems to me much of the same philosophy, and in which you are engaged in massive research for vocational training at the secondary level, it could apply to different models of college education.

This is not original with me.

We are reading it on the front pages. It was on the front page of the New York Times sometime ago.

I read last night an interesting article. It is an interview with five or six young men at Harvard who are veterans of the Vietnam war, and their perceptions of Harvard University with this full 4 years. These are young people who have been to war, and they have a very low esteem of the 4-year academic middle-class lockstep in which we are forcing young people.

Would it not do well for you to go back to study what we are offering these young people in the way of postsecondary education, and to go into this a little more than has been done?

What is wrong with letting a young person work in a hospital or a factory, or a university, or an elementary school, or out in life somewhere, getting some education component, perhaps in the evening, perhaps on a release time basis, but helping him do his thing, even if he does not want to or cannot attend class full time, if he wants part-time working and part-time education?

Why does he have to be in a particular building marked postsecondary education?

Why can it not be in a hundred different models around the community?

Have you done any market surveys as to the post education product, which all of those young people might find more relevant than the 4-year academic lockstep which has turned to not accepting so many of them? If you have done that type of market survey, what are your projections as to type of attendance you would have if you set up a variety of 2-year models, 1-year models, out in the community, how many young people would like to participate in this very diversified pluralistic postsecondary system, and what would the cost for that be? I think if you could give us that kind of a study, we could approach our work far more intelligently.

Dr. MARLAND. I am pleased to respond to that, Congressman Pucinski. In my testimony of some days ago, we called attention to the precise issue which you are describing, that in some cases our institutions of higher education have become irrelevant.

They are no longer organized in a way that they will respond to young people; therefore, we are proposing, with precisely this purpose in mind, the National Foundation for Higher Education, which will be a reform instrument, and which will give them the tools to study exactly this subject.

Mr. PUCINSKI. I would like to see your appraisal of what are the elements in the private system that seem to be good, how are they doing a better job, and how can we harness the design, to make it available to children, either by moving the model into the public school vocational system, or giving them vouchers for——

Mrs. GREEN. With the dollars that are available.

Dr. MARLAND. At the moment, they are engaged in a very limited purpose, the narrow front, the narrow high school. It should be a place for human beings to grow in many ways, including learning that single skill that might be taught, and, therefore, to compare them coldly and without that caveat would not be productive.

Mr. PUCINSKI. I am talking about the vocational training itself.

It is quite obvious that the education of these children, in terms of today's society, has to be broader, and they have to be trained more than before in addition to acquiring technological skills. It is quite obvious the private technical school cannot do the whole job, but they are doing a very important portion of it, the narrow part—they are applying specific technological skills.

They seem to be doing this better than the public sector, and they are doing it very well, and I would be very happy to have your appraisal.

Dr. MARLAND. We will try to find what we can on the record.

Mrs. GREEN. I would appreciate that information, and I would certainly like to have the cost factor included, because I would suspect anybody could provide a good education for his children if he had $5,000 a year for each.

Mr. PUCINSKI. They could be taught how to be good glass blowers, or something else, and they would still end up with something relevant.

Mr. STEIGER. Dr. Muirhead, you stated that you were estimating student enrollments to reach 9 million by 1975 or 1976.

Are you basing that figure on the present 8 million, that are enrolled in postsecondary education and saying we expect that level to increase to 9 million?

Dr. MUIRHEAD. I am basing that on the present level of what we call the full-time equivalent enrollment, and saying it will move from its present level of about 7 million, to in the neighborhood of 9 million by 1975, 1976, and that that growth will continue through the rest of this decade, but not at the same sharp rate of increase.

Mr. STEIGER. So the estimate is the 7 million now and within 4 years, it will go to 9 million; 2 additional million students in 4 years?

Dr. MUIRHEAD. Approximately, I would like to ask the right to provide that precisely to you in the record.

Number of students by 1975–76 will be 10,222,000. Source: Projection of Education Statistics, 1969 edition.

Dr. MARLAND. To amplify on Mr. Muirhead's response, it should be pointed out we are creating community colleges at the rate of about one a day in this country, which responds somewhat to that swift growth you are concerned about, and we are concerned about.

Mr. STEIGER. I recognize that, but it does not answer the problem raised by the Chairman. How could you answer this problem of maintaining quality education as well as the concept of everyone having to go to college or a university?

Dr. MUIRHEAD. Could I respond to that, just so the record would show we have responded to it. This proposal, which is before you, is, of course, not addressed to the problem you have identified, and that all of us have identified, that the needs of colleges, or postsecondary institutions, if you will, will become increasingly critical in the years ahead. This proposal is a first step in saying that we should look first of all to opening up the door of opportunity for the student.

It should not be, it seems to me, considered in any way as a program that is directed toward institutional aid, and, secondly, it is a proposal that is in complete harmony, it seems to me, with the dialog that has been going on between the committee and the Commissioner, that which must look toward a better diversity of educational opportunity beyond the high school. As I go on with the chart presentation, I think we can show you quite dramatically that it is addressed to that very point of opening up postsecondary opportunities for young people, not necessarily chasing the will-of-the-whisp glory degree, but opening up new opportunities for young people at the postsecondary level. It embraces the postsecondary vocational school, it embraces vocational schools, and it embraces institutions with a comprehensive program other than the degree program of a transfer nature.

Mrs. **Green**. I want to come back to this, but in the notices that went out, and in my telephone conversations with you and the Commissioner, we agreed to have an all-day session. The notices indicated we would come back into session at 2 o'clock in the afternoon.

Following up the conversation, and it is a point I want to raise this afternoon, but I am going to ask it now, so that perhaps somebody in the office can be putting the material together, I want to discuss how much the Office of Education is spending this year in performance contracting—how many contracts do OE presently have et cetera.

My second question would be in regard to Dr. Zacharias' operation. It is my understanding in the proximate last decade, he has had about a hundred million dollars in contracts.

I do not know how much of that hundred million has come from the Office of Education, and how much has come from other sources but could your office supply for us how much OE has contributed and tell us if the hundred million is a reasonably accurate figure?

I want to know how much the Office of Education has supplied, and what you think the taxpayer has gotten out of this 100 million.

Dr. **Marland**. I will amplify on this. I hope I can get the information during the noon hour, and it may take longer.

However, a relatively small fraction of the money has gone to the Educational Development Laboratory near Boston, which is supplied by the Office of Education at this time.

We have recently concluded that arrangement. There is substantial other Federal money involved, however, being devoted to that activity.

I would like to get the detailed information for you.

Mr. **Steiger**. May I ask one other specific question?

Are you prepared to give us the detailed information on the operation of section 504 of the Higher Education Act, and the figures on the number of students whose aid has been cut off? Also, as I recall, the administration's bill that has been introduced, did not maintain that section. Are you proposing to repeal that section, or, if not, what are your specific recommendations?

Dr. **Marland**. Let me try to respond very briefly, and perhaps Mr. Muirhead will add to it, Madam Chairman.

The second question, I believe, is that which pertains to the withdrawal of support for students engaged in unlawful acts on campuses.

We have, indeed, implemented some 400 instances if I remember correctly, of empowering the Office of Education to withdraw funds from such students, when so identified by the institution.

I think at this time we are not prepared to press for continuation of this feature of the law.

We are counseled here by higher education administrators themselves, as well as by our own judgment, which would say that there is a great deal of uncertainty as to how far the colleges are willing to go, and, indeed, whether there is consistency and equity among colleges in the way they apply this provision. We do not see ourselves as an appropriate policeman to come into the internal administration of affairs of university leadership. That is not for us to get into.

It is a very difficult rule to administer.

It has very uncertain philosophy as to our power to intrude, unless the initiative comes from the administration of the university. Our position at this time is to feel that it is not a law that we would hope to continue.

Dr. MUIRHEAD. The Commissioner has reported to you that we have made a survey of how effectively the colleges and universities have been carrying out the provision of section 504, and the language that appeared in the appropriations act, I think it is section 411, I am not sure. We will be pleased to provide, for the record, an analysis of how the colleges have reported to us, the number of students whose aid has been terminated, as a result of the provisions of that law, both for the college year, ending in last June, and the college year ending previously.

We expect to have a comparable report at the end of this college year.

Mr. STEIGER. The distinguished chairman of the subcommittee placed some material in the record on this. Do I recollect that you asked the Office of Education to comment on that?

Mrs. GREEN. I placed in the record the report of the Office of Education which was required to be sent to the Congress giving the number of institutions that had cut off aid.

One other thing I hope you will be prepared to discuss this afternoon is the Executive order requiring an affirmative plan of action, where there is discrimination in a college or a university, because of sex. I would like to discuss the University of Michigan particularly, where HEW has taken action, and what the implications are for higher education. If you could have that information, I would certainly appreciate it.

We will try to recess at 12:15 p.m., and come back at 2 p.m. The figures that you have given to us this morning, and your earlier quote to the effect that youngsters from a $15,000 income family are five times more likely to go to college than those from families with incomes of $3,000, am I correct in assuming that your figures are projected on the assumption that it is desirable to make it possible for a high school graduate to go to college immediately after graduation? And are your projections also based on a continuous 2 years at the community college, or a 4-year program without interruption?

Dr. MUIRHEAD. Our projections are not necessarily based on those two premises, Madam Chairman, because quite obviously, we are seeking to encourage change and innovation, and different ways in obtaining postsecondary education.

Our projections are not based on encouraging the 2½ million students to seek a 4-year program leading to a degree.

They are based on the premise of providing him a postsecondary education which is suited for him, and which may in some instances be 1 year, which may have him study 1 year, leave a while, go into the world and work for a year, and then return, so our concept in supporting this program is to encourage postsecondary opportunities, but sufficiently diversified.

Dr. **Marland**. It need not apply, as your question suggests, solely to a current high school graduate this year. A person of middle age, qualifying, a mother, let us say, a widow, a young man suddenly motivated to leave his work as a laborer, if he qualifies to come into this, would be an eligible candidate for it, so it does not relate solely to the high school graduate.

Mrs. **Green**. With this explanation, and bearing in mind in the larger student financial aid program, the GI bill, and the second largest which is in social security benefits, how do you arrive at the figure that there are another million students who need financial aid?

I am not disputing your word. I have simply not seen the evidence that there are vast numbers of needy students around the country that are not going to college.

Dr. **Muirhead**. We would be pleased to submit for your information, Madam Chairman, our analysis of that problem, which indicates that with the programs that are now in place, we are providing support to $1.6 billion, but our information indicates that there are close to 2½ million students from families under $10,000, and about a million of the students are not now receiving aid.

The thrust of this program is to say that students coming from low-income families will be dealt with evenhandedly, and that they will get a foundation level of support, no matter where they are, or whether or not they are attending a private or a public school.

Mr. **Steiger**. Dr. Muirhead, you said just a moment ago you thought there were a million students not now receiving aid.

Dr. **Muirhead**. Yes. Yes, I did say that.

Dr. **Marland**. Who are eligible.

Dr. **Muirhead**. A million students. Perhaps it might be helpful if I were to just indicate that the basic concept behind this legislation is based on what seems to be a very clear inequity in our society today, and that is, that those from lower income levels do not have as much opportunity to go on. We have reasoned that the basic cause for that is that they do not have as much family support as do those in the upper levels.

Our reasoning led us, in consultation with well established college financial experts, to ascertain what is the reasonable contributions which a family of $10,000 with two children, and one in college, can be expected to make. This will change from year to year, but as of this time, that is expected to be about $1,400.

Our bill is based on the concept that we should, insofar as possible, try to close that gap of family contribution that exists for low-income students, by saying that if the student comes from a family, let us say in the $7,000 to $8,000 bracket, then the family cannot provide $1,400, but let us say they can provide $700, then we can provide a program of assistance to bring them to the $1,400 level.

Mr. **Steiger**. One further point. Would I be correct in saying that under the loan program, if the student receives it as a freshman, he is eligible throughout?

Dr. **Muirhead**. Yes.

Mr. **Steiger**. And if he drops out of the college or university he is then required to start the repayment?

Dr. **Muirhead**. Yes. The well established procedures under the NDEA said after a period of time, which at the present is 9 months, he is expected to start the repayment of his loan.

Mr. **Steiger**. You have not changed that?

Dr. **Muirhead**. No. This remains.

Mrs. **Green**. The EOG is still designed to try to encourage him, you promise him when he starts, that he is going to have that amount of money each of the 4 years.

Dr. **Muirhead**. Well, you are right.

What we say is that the youngster with an EOG should be assured of help toward the completion of his program.

I would not want the record to show that he would continue for 4 years.

He might very well complete a program that is suitable for his talent and interest in 2 years.

Mrs. **Green**. Is not your request for funds based on the continuing grants, the initial grants——

Dr. **Muirhead**. Our request for funds are based on the premise that the money should be available.

Mrs. **Green**. For 4 consecutive years?

Dr. **Muirhead**. If his educational interests are best served by that, I think it would be a sad thing if we would say that the opportunity for the grant required by the student to complete a 4-year program would not be provided for the 4 years.

It says that if a 4-year program is suitable to your needs and interests, then the money will be available.

Mrs. **Green**. I suggested the philosophy that we encourage people to continue, and I think it is contrary to the Carnegie's recommendation of less time, more options.

Mr. **Scheuer**. On that subject, the information we have gotten from Ed Sanders is that last year there were 256,000 undergraduate students from families with incomes below $3,000, and of those 256,000, 41,000 got EOG's, so that is about as low an income you can get, and we don't know how many of the remainder receive some income from Social Security or the GI benefits, and then of the 511,000 students from families with incomes between $3,000 and $6,000, 60,000 of these received EOG, so there is quite a pool who are assisted.

Mr. **Steiger**. I think the chairman made the point that there are now a million students involved in institutions of higher education who are eligible under this program to receive assistance.

Apparently at the present time they are not receiving assistance as I understand it.

Mr. **Scheuer**. It may be that some of them should not go on beyond the first year, but there may be many others who, because of that financial burden, do wait for a period of time.

I think it is good for some students to have some break in their education, but there are others who, once they start college, would like to continue for the 4 years uninterrupted.

Mrs. **Green**. The Carnegie Commission makes an interesting comment that over three-fifths of those responding felt there should be some stopping out, either between high school and college, or during college.

I wonder if we are not kind of downgrading the idea that children maybe can help themselves more.

I want to ask one other question.

On your income levels for instance, is that cash income?

Dr. MUIRHEAD. Yes, it is. We can have this when we return this afternoon. We have some charts to show here the amount of income, the amount of family contribution we expect from various levels of income.

Mrs. GREEN. One troublesome part of this to me, and I again go back to a matter I discussed many times, my concern over the middle-income family. You can have a family with a $3,000-cash income, and I think the geographic area ought really to enter into this, because $3,000 in Mississippi and $3,000 in New York, that makes a lot of difference as to the ability of the family to send a child to college, but the family that has $3,000 in cash income, for example, in Portland, Oreg., the average would have a $618 cash equivalent in medical and dental bills that are paid by the Government.

The average family would have a food stamp cash equivalent of $336.

They would have an average rent supplement of $636.

They would have an average free legal services of 75 comprehensive health services, and so forth, which would come to $4,598 in actual cash. If it was a family of four children, they might easily have high welfare payments, and this would be current income which would bring this up, and then there is also the possibility of help under other programs such as Headstart and job training programs.

I can identify families in New York City on welfare who have a family of four children who have a cash and in-kind equivalent of over $11,000, but I have been conservative this morning, and with only some of the programs, they would have an income easily, many of them of $7,983.

Now, a family that has a $6,000 income with one child, IRS told me this morning that that family would pay $884 in income tax.

I really do not see the justice in making these various student financial assistance programs available to families, when we can only consider the cash income that the family has, and not the innumerable other forms of Government assistance that are equal to the cash. It works against the family that has a moderate income, and is not eligible, and are paying income taxes. I would like some explanation of that.

Dr. MUIRHEAD. Yes, we would like to explain that to you, Madam Chairman, in some detail, very succinctly, and we report to you that we too are concerned of the inequities that would exist. We would provide guidelines to the colleges and universities, and they would continue practices which they have long continued, of assessing what the actual family income is, rather than just the family income recorded on the income tax form. The other forms of family income would be recorded, and then the matter would be determined by the student financial aid officer. This would then result in the figure being determined as to what the family contribution would be.

We would not rely on family income as reported on the income tax form, and this is a well-established concept in college circles.

Mrs. GREEN. My first question was whether you based it on a cash income, and your answer was yes.

Mr. MUIRHEAD. We considered only cash income, but the law that we are proposing to you clearly indicates that the decision as to family income comes about as a result of this more sophisticated exercise that I just shared with you, so that family income would be as a result of a careful and discreet analysis of the information which the younger person brings to the student financial aid officer.

It is not just the raw figure from the income tax form.

Mr. STEIGER. Are you going to be able to tell us, Mr. Muirhead, when you return, that health services are included?

Mr. MUIRHEAD. We are going to be able to tell you basically what the other factors that would be included are, including welfare payments, including social security benefits, and so on.

Dr. MARLAND. We would probably not include such things as our Federal services, as you suggested, Madam Chairman, such as Headstart offering for the child, at $1,200 or $1,500 a year.

We would not include that as income. That would be a service of a compensatory nature to help that family lift itself up.

Mrs. GREEN. I would suggest a $7,000-income family may have to spend $1,400 to provide day care for their child, while the mother works.

The committee will recess until 2 o'clock.

(Whereupon, at 12:30 p.m. the subcommittee recessed, to reconvene at 2 p.m.)

AFTERNOON SESSION

(The subcommittee reconvened at 2 p.m., Hon. Edith Green, chairman of the subcommittee, presiding.)

Mrs. GREEN. The subcommittee will come to order for further consideration of the higher education legislation.

Mr. Commissioner, it is my understanding that the head of your Civil Rights Division is here.

Dr. MARLAND. He is.

Mrs. GREEN. Since he has arranged his schedule to accommodate us, with the permission of my two colleagues on my left, I thought we would turn to this subject and abandon student aid for the moment.

Dr. MARLAND. Madam Chairman, the question which you raised this morning was to ask if the Office of Education was in a position to describe further the circumstances of the enforcement of civil rights matters affecting women on university campuses, notably the circumstances at the University of Michigan.

We have invited Mr. Stanley Pottinger, Director of the Office of Civil Rights, HEW, to be with us. With his staff, he is prepared to respond to that question.

Madam Chairman, Mr. Pottinger.

Mr. POTTINGER. Madam Chairman, I am pleased to be here. Let me say that I regret that I do not have either a written or opening statement for you under the circumstances, but we will be delighted to do our best to give you all the details you might wish with regard to Michigan or other universities that we review in our program.

Mrs. GREEN. Thank you.

I had read on page 24 of the Commissioner's statement the recommendation for one amendment to the higher education bill which is prompting this. I have two specific questions.

One: Title 10, on page 24, does this apply to the Office of Education itself?

Dr. MARLAND. That is, the matter of rights for women to be employed?

Mrs. GREEN. Yes, sir. No discrimination in the Office.

Dr. MARLAND. I am sure that there is and has been, regrettably. This has gone on for many years, at least in terms of numbers, salaries, and responsibilities. Like almost all other institutions, public and private, this is true in the Office of Education.

I would say we are making some strides at this time to rectify this condition. There are in process now the names of five professional women who will be joining our Office—I hope very soon—at the top levels of responsibility, recognition, and salary. By that, I mean people in such levels as Assistant Commissioners, Regional Commissioner, et cetera.

I cannot specify their names; they are still under consideration. In all cases they have not finalized their acceptance of our invitations, but we are working in this direction. I can assure you with considerable satisfaction that we have named a new Director of the Office of Community Colleges who is a woman, who indeed has been the chancellor—I believe is her title—of the community college system in the city of Los Angeles. She is now on our staff and at work.

There are other similar cases of women in the selection process at this time.

Mrs. GREEN. Would the recommendation which you make, the termination of grants to any recipient of Federal funds for education who fails to comply with the requirement, would that affect the Office of Education?

Dr. MARLAND. I am not sure I follow that. It was a little too fast for me, Madam Chairman.

I beg your pardon.

I would say we need more time, Madam Chairman.

Mrs. GREEN. Can you extend that same mercy to others?

Dr. MARLAND. I expect that there will be some degree of compassion in the exercise of our responsibilities in this direction. I would also say we are taking this responsibility very seriously.

Mrs. GREEN. I trust that is the case.

Mr. Pottinger, would you describe from the Executive order in terms of the affirmative plan of action and what has happened at the University of Michigan, why HEW has taken the action it has, what are the results, and what are the implications for all other institutions of higher education, and touch on retroactive pay and the status of that'

Mr. POTTINGER. May I say that on my right is Mr. Owen Kiely, the Chief of our Contract Compliance Division. I will probably be calling upon him for additional specific information, if you will permit.

The University of Michigan is one of several institutions of higher education over which we have exercised our review responsibilities under the Executive Order 11246, as amended.

Some time ago, we received sets of allegations from women's organizations and others indicating that in their belief there was a pattern of discrimination against women in positions of employment at the university. The university is a recipient, or a Federal contractor, recipient of financial assistance through contracts. Therefore, we had jurisdiction over them.

We conducted a review at the university as we have in other universities, and discovered what we believe to be evidence substantiating the allegations that had come to our attention.

We then brought this information to the attention of appropriate officials at the university, including President Fleming, and through a period—or through a mutual examination of this evidence, indicated to the university that under the Executive order it would be necessary for them to establish, develop and establish and implement an affirmative action program which would accomplish two things:

First, we believed it was necessary for them to make up for, or eliminate existing discrimination against women at the present time.

Second, we believed it was necessary for them to take affirmative steps to insure against such discrimination in the future.

This twofold approach, I might add, is the approach that we ordinarily take in any of our reviews, whether it is for race or sex, national origin, religion, or color.

Over a period of time we continued to negotiate with the university with regard to specific issues, and the back-pay issue which you mentioned was one over which we had extended discussions. Yesterday, we received the affirmative action program from the university to which it had committed itself some time ago.

We have not yet fully evaluated the affirmative action program. We have it with us here today and we would be happy to supplement the record, if you desire to have it supplemented with those parts of the affirmative action program that are under the Freedom of Information Act and ordinarily subject to examination as a matter of public record.

We can say that we believe, on a cursory examination of the program proposed, that it meets the regulatory scheme requirements, that it will be a good program, and we have no reason to believe that the university will not vigorously enforce their program and in good faith.

With regard to the back pay, specifically, we have taken the position that where discrimination can be identified and documented against a woman on grounds of her sex, that it is the responsibility of the university to provide that person with a redress, going back to the effective date, either of the Executive order or of the first contract entered into—the date of the first contract entered into by the university under the Executive order.

My last statement really is an attempt to define for you the legal basis for which we draw the baseline.

Mrs. Green. Is that the same basis for drawing the line as discrimination because of race?

Mr. Pottinger. Yes, ma'am, it is.

Mrs. Green. To the date of the President's Executive order?

Mr. Pottinger. Well, it is correct. I wanted to add that the sex portion, discrimination on the grounds of sex, was, as you know, developed in a later Executive order, an amendment to the original Executive order, so the date would be the same, although as a practical matter, I do not know that we ever had occasion to go beyond that, back to the date of 1967.

Mrs. **Green**. Isn't it true that the original Executive order included sex, and then there was a modification?

Mr. **Kiely**. No. Title 7 of the Civil Rights Act originally included sex. The Executive order did not speak of sex until October 1967, to become effective in October 1968, the effective date of Executive Order 11375, which amended 11246.

Mrs. **Green**. The Executive order requiring an affirmative plan of action on the basis of race—when was that issued?

Mr. **Kiely**. It was first issued by Kennedy in 1961. That was the first time affirmative action was required by Government contracts. It was renewed by President Johnson.

Mrs. **Green**. In 1967.

Mr. **Kiely**. With an amendment which was a technical amendment.

Mrs. **Green**. But didn't the 1967 one include sex?

Mr. **Kiely**. Yes, but the effective date on the prohibition against sex discrimination was to go into effect a year later, October 1968.

Mrs. **Green**. With a modification of the Executive order.

Mr. **Kiely**. Right. The original order by President Johnson was 11246, in 1965. It was then amended by Johnson, in 1967, to become effective October 1968.

Mr. **Pottinger**. To explain the jurisdictional point, it is our position that the effective date of the Executive order would be the furthest back date to which a university would be required to go.

The Office of General Counsel also informs us that for reasons that we could explain further on the record if you wish, there may be occasions where a university was not then with notice, if it did not at that time have a Federal contract. If that is the case, it may be that the latest date that we would go back is the date of the first subsequent contract entered by the university under the new provisions of Executive Order 11246 as amended.

Mrs. **Green**. You said that your study substantiated the allegations that had been made. In what area did you find discrimination?

Mr. **Kiely**. We had found discrimination by an analysis of seven academic departments and their supporting staffs at the university. We found discrimination in the academic area both in terms of the number of females employed and their rate of progression from instructor through the top positions, and a paucity of females in administrative positions in the various departments.

We found that there were differences in rates of pay for the same positions in the academic area so that females generally got less for the same position that males did.

We found similar patterns in the nonacademic area; that there was a difference in rate of pay between males and females. Usually, the female's pay was inferior. We found in terms of job progression in any particular administrative unit you would select that men tended to progress, start at a higher rate of pay and tended to progress to upper levels of administration, supervision, and management in the nonacademic area in the same way as they did in the academic area.

Mrs. **Green**. Did you study the requirements for admission? Would this come into it, if a higher grade point average is required of a girl for admission to the college?

Mr. **Kiely**. No, we did not; directly. We discussed this with our counsel, who advised that we had to identify that employment was involved, that the jurisdiction of the Executive order does not reach to the question of academic admissions itself, but only, and possibly, to programs where employment is involved.

For example, in many institutions you have particular doctoral programs where employment is part of the doctoral program. It is our position, and supported by general counsel, that the Executive order does reach here. There was some dispute on this. But on the question of admissions per se, no.

Mr. POTTINGER. I might add that the question of the limited application of the Executive order to admissions programs that have a high rate of coincidence with employment, is a matter presently under discussion and review by the Departments' Office of General Counsel.

Mrs. GREEN. What is the Department's position in regard to race discrimination, if it is preparation for employment?

Mr. POTTINGER. Precisely the same. That is to say, if there were discrimination on grounds of race in the admissions process, the Executive order would not necessarily reach that, if there was no demonstrated connection between that and employment.

However, unlike discrimination against women on the grounds of sex, discrimination on the grounds of race, as you know, is under the jurisdiction of title 6. So it is covered under one umbrella or the other.

Mrs. GREEN. But if the amendments that were proposed last year to the Higher Education Act were adopted, then you would have to follow the same procedure?

Mr. POTTINGER. That is correct.

Mrs. GREEN. Do I understand the position of the Department now, that you will require retroactive pay?

Mr. POTTINGER. Yes, ma'am. That is what we have negotiated to a successful conclusion with Harvard University, and we believe—although I have not yet seen specifically what the University of Michigan has proposed—we believe that they have consented to that same position under the Executive order.

I might add again that this is the position which is not based upon our discretionary reading of the Executive order. We believe it is a part of the regulatory scheme itself.

Mrs. GREEN. How many complaints have been filed by Women's Equity Action League against HEW?

Mr. POTTINGER. Many.

Mr. MCKINNEY. We received about 250 sets of allegations from women's organizations. The majority of those have been from WEAL; I think at least nine-tenths have been from WEAL.

Mrs. GREEN. How many of those are you giving any attention to?

Mr. POTTINGER. To every single one. By the same token, I think it is fair to say that we are trying to reach those questions as systematically and fairly as possible on a priority basis rather than helter-skelter.

Mrs. GREEN. What do you mean, priority?

Mr. POTTINGER. If we have a set of allegations, as for instance we received from a women's organization in Boston or Ann Arbor, which demonstrate what we believe to be a pervasive problem, we would, on the basis of our existing records, our onsite preliminary review, and those sets of allegations, pay first attention to those as opposed to a set of allegations we received that did not appear to have the same degree of backup to it.

We have to make judgments as to where we would target our reviews, based on the record as well as the allegations, simply because we do not have the personnel to go everywhere at the same time.

Mrs. **Green**. How many complaints have you received on the basis of race?

Mr. **Pottinger**. I do not know that we have that figure available for you.

Mr. **Kiely**. We make a distinction between individual complaints which are treated in a different manner under Executive order than sets of allegations.

It is not necessary for us to have allegations in order to do a compliance review. The very fact that an institution has a Government contract over $10,000 is sufficient for us to initiate a review. When we get sets of allegations, we try to give priority if they demonstrate significant evidence of discrimination because of race.

But by and large, I would say most of our reviews have been initiated by us; where we have had staff and where the impact is liable to be greater there, that is, where you have a large institution which hires 10, 15, 20,000 people, as compared to a small institution which maybe only hires 500.

Mrs. **Green**. Have you initiated reviews for compliance on sex discrimination?

Mr. **Kiely**. Yes.

Mrs. **Green**. How many have you initiated in this area? What I am saying is, are we getting the same kind of treatment on the basis of discrimination because of sex as because of race?

Mr. **Pottinger**. Let me say an unequivocal, "Yes." The degree of our own participation and examination of the sex discrimination questions now are as great as that in any other area. We have very carefully tried to be sure that we would neither depreciate our efforts in the area of race discrimination because of the growing attention to sex discrimination and at the same time not depreciate or neglect the area of sex discrimination because of our traditional concentration on race.

Our policy, I think, is a right policy, and I think that our implementation of it is, if I may say so myself—and I am paying this compliment to Owen Kiely—I think it is carefully done. It is a balanced program. And I don't think we are in a position where we are neglecting one area because of an overconcentration on the other. We are mindful of this possibility.

Mrs. **Green**. The University of Michigan is the first case——

Mr. **Pottinger**. It is one of the first. Harvard actually did come in with its plan earlier than the University of Michigan. I would like to say that in light of your questions about the University of Michigan and our most recent compliance efforts there, although we have concentrated our actions here on the university, it is not unlike other universities, and I hope that the record does not imply that we have singled them out, either for a review or to suppose that the kinds of patterns that we have found there are different from other universities.

On the contrary, we have found from the University of Michigan, from Harvard, Illinois, Wisconsin, the American Council on Education and AAU, general agreement that the same kinds of patterns of—hopefully—neglectful discrimination against women exist pretty much on the same level in all the universities.

And since the University of Michigan is one of the country's great universities, I think we should go on the record to acknowledge that.

Mrs. GREEN. I am well aware of that. Bunny Sandler, who has had frequent correspondence with you, I think, recently was a member of my staff, so I read a good many of the letters.

Tell me what would happen if the same kind of complaints were filed against various agencies in the U.S. Government.

Mr. POTTINGER. I don't know that we would have in our Office any jurisdiction over that, Madam Chairman. In fact, I am quite sure we would not. I don't mean to pass off your question, but I would think that the Civil Service Commission would have to be asked that question.

Mrs. GREEN. Would you hazard a guess as to how they would respond? Because I have seen the vast increase in the number of blacks in the various agencies of Government and I have searched in vain for an increase in the number of women employees at policy level positions and find them neither in the Office of Education or HEW or in any of the other agencies.

Mr. POTTINGER. Again I do not want to be evasive, but I would have to admit to you that to hazard a guess would be purely speculative on my part. I do not know what would happen.

Mrs. GREEN. I thank you very much.

Congressman Dellenback, do you have any questions?

Mr. DELLENBACK. I do, but in view of the unique nature of today's audience and special personages, I defer to my colleague from Minnesota. Let him lead on this.

Mrs. GREEN. Congressman Quie, you have the ball.

Mr. QUIE. The question that comes to my mind is the determination now that there is discrimination on admissions, if a higher standard is set for women than for men?

Mr. POTTINGER. May I clarify your question? Do you mean: Would there be discrimination if the university admitted women only if they met higher standards?

Mr. QUIE. Higher grade standard in high school or college boards.

Mr. POTTINGER. Since we do not have jurisdiction over that question, we do not have an official policy with regard to admissions requirements, let us say, in the clearest instance, for undergraduate.

Mrs. GREEN. Would my colleague yield?

That is one of the reasons for one of the amendments last year. Am I not correct, if a college today required a higher grade point average for a black than for a white, it would be in violation of the Civil Rights Act, but the same college can require a higher grade point average for women than for men, and very interesting explanations, are offered, but it is not a violation of law?

Mr. POTTINGER. That is the complete answer, that at the present time, because such an admissions approach does not violate any existing statutory provision, the answer we would have to give you is that there is no policy to implement it.

But I think we have identified, in examining our problems under the Executive order, this kind of a practice, and that is not telling tales that are unverified. Most of the universities have candidly told us that in many cases, standards of that kind do exist.

Mr. QUIE. If we pass the administration's bill, Mr. Commissioner, you would have jurisdiction. You would have that responsibility. What would your policy be, then, if we pass the bill?

Mr. POTTINGER. I think we would look very carefully at that sort of distinction and very skeptically, as we do in areas of race, placing a clear burden on the university to establish, if they were able to, why that did not consist of a discriminatory act. In other words, our position, I believe, would be very clearly that that does constitute discrimination.

Now we have always said with regard to such findings that under due process standards, a university does have an opportunity to come forward with their reasons for the standard that they have employed, whether with regard to women or to persons of another race.

Our policy would be that it constitutes discrimination, I think. There is one unique aspect about this, and that is that we are told that generally speaking, women do have higher academic records than men. I don't know whether that could be legitimately taken into consideration or not.

Mr. QUIE. Especially at an early age. The question would come, then, that if the college admitted students with a different standard for women than for men, if the result was that the same percentage of women attended the college as the percentage of women in the State or the Nation, would it still be considered as discriminatory?

Mr. POTTINGER. I believe the answer would be no. Let me explain. Ordinarily, under the Executive order itself and under title 6, our approach is to make sure that the process by which persons are permitted to participate either in an agency which has a Federal contract or a university under title 6 jurisdiction is open regardless of race, sex, or national origin.

In other words, we believe that if there is a good faith implementation and an open admissions or open employment policy that is implemented, that the results will reflect that good faith implementation. Therefore, ordinarily if the results are askew, that is to say, if there are no blacks in a college where blacks have applied and where blacks reside, that racial result indicates that the process is not working right.

Therefore, we take results into consideration as a reflection on the process. I think the same would be true here.

Mr. QUIE. But you go further in the racial question, do you not, then just based on the number that apply? In the case of Minnesota State colleges and the university, there is a requirement that they go outside of the State to recruit blacks because we do not have enough blacks in the State to recruit to meet the percentages that are desirable.

Mr. POTTINGER. That has happened in a number of places, but it is not based purely on a determination that a given university must in all cases meet the same standard. If the university recruits teachers and students across State lines and has white students coming from out-of-State, certainly we would require that university to go beyond State lines to affirmatively recruit minority races. And I am sure that is the case in Minnesota.

In other words, there again, we are requiring that the process be implemented equally without regard to race or sex, and the results will reflect that, if it is done in good faith.

Mr. **Quie**. What if there is a tendency because of the interest in some college or—take Yale University, as an example—that is becoming coeducational but probably for a long period of time will have more men than women. Will the same requirements be made of them now that they will be recuiting women more actively than before?

Mr. **Pottinger**. I would think so, but I will have to say we have not given careful thought to that yet. I think there are situations where a university, for instance, in an affirmative action program either for women or for minority races, is given what we both believe to be a reasonable period of time to fulfill the goals that we believe reflect an open process. In some cases this will be shorter than in other cases. It depends on how far the university has to go.

By and large, you will find that HEW has a relatively short fuse and the university will negotiate with the long fuse. They will ask for a greater period of time. We will ask for shorter, and through the negotiation process we will come to a decision that we both feel fairly reflects a vigorous attempt on the part of the university to come into compliance.

The same thing would be true with Yale, I would say, because it has just become a coeducational univeristy. That means they would have such a long way to go that they would be granted a longer length of time than a univeristy that has a large base of women students. That is a judgmental question.

Mr. **Quie**. Would they have to set a goal of a 50–50 ratio eventually?

Dr. **Marland**. To bring in a different viewpoint, apart from the civil, the trustees of the university would tend to establish, quite apart from discriminatory intent, the policies of that institution perhaps to be more of a male institution or more of a female institution, quite consciously.

Skidmore College for Women does admit men and quite consciously limits their numbers for various reasons. I think this would not necessarily be viewed as an act of discrimination of men, against Skidmore. That is an institutional policy.

Mrs. **Green**. If the recommendation that you make on the higher education bill for the amendment is passed by the Congress, are you saying that a coeducational institution can still say that they will discriminate aginst either sex?

Dr. **Marland**. I would imagine that it would be within their province if they were integrating for the first time.

Mrs. **Green**. Could they do that against blacks?

Dr. **Marland**. I would think that within their province they could establish the levels at which they would like to have various representations both among minority races on a campus and male and female during the period of transition. If they deliberately set about to establish a mixed campus for the first time, I would think it would be quite desirable to have a policy governing how that mix shall build, particularly having to do with housing, having to do with accomodations and programing.

Mrs. **Green**. Do you extend that policy to a school district if a school district consciously says, "We are going to have this kind of a mix"?

Dr. **Marland**. No, on the contrary, a public school system must take all children, all comers, and I would think at this time the universities are not yet generally in that category. They are not required to take every person that applies at their doors, in other words.

Mrs. **Green**. But if they discriminate on the basis of either race or sex, it seems to me that they are in violation of the Civil Rights Act, if the student who has applied is qualified.

Dr. **Marland**. I would say there should be a discretionary kind of balance that would derive from the institutional total policies governed by such things as housing and facilities and other considerations that should govern, in addition to making certain that within those policies there is conscientious consideration to minorities and women.

Mrs. **Green**. I would like to respond, if my colleague would yield.

I will invite the earnest attention of Women's Equity Action League and National Organization for Women and all of the other women's groups to come up with a different kind of amendment to the Higher Education Act than you have proposed.

Dr. **Marland**. Perhaps you are suggesting a quota, Madam Chairman?

Mrs. **Green**. No, I am not suggesting a quota. I always opposed that. But I am suggesting any Federal institution receiving Federal funds would be in violation of the Civil Rights Act if it will not admit this particular person because of either race or sex.

Mr. **Pottinger**. May I respond to that briefly?

I believe, again to emphasize the way that we as an enforcement agency approach the questions that we have to deal with in our existing jurisdiction, the answer to your last characterization would be yes, that constitutes discrimination. And we would indeed take action where that could be identified and documented.

Second, I think in such a situation, on its face, my understanding of this proposed amendment would be that it would also constitute discrimination. Now, with regard to the unique——

Mrs. **Green**. I hope, if I may interrupt, that you and the Commissioner will get together so we will know what the position of the Department is, because otherwise I want a different kind of amendment that won't leave that kind of loophole.

Mr. **Pottinger**. I was about to admit precisely that, that we have a number of issues of this kind to work out between us. Obviously, this committee and the Congress as a whole will want to know, and are entitled to know, what that policy is.

But I would simply like to amplify the testimony in the record to try to indicate the kinds of guidelines that we follow now with regard to race, and suppose that those general guidelines would be also followed under this amendment.

There is a provision in this amendment, as you are undoubtedly aware, that if there is a differential based upon a bona fide ground of differential, then it is permissible. What constitutes bona fide grounds of differential, I think, is something we will have to give careful thought to before enactment. I just do not know.

Dr. **Marland**. I think I should call attention to the intents of our section of this proposed law. It has to do with eligibility for students to receive loans, and the lack of discrimination intended in that section is all that we are attempting to talk about here.

In other words, the benefits of this act that we are viewing today has to do with the insurance against discrimination in the administration of this loan program.

Mrs. **Green**. That is all you are talking about, student financial aid?

Dr. **Marland.** If you are talking about title 6, it relates to all programs that we administer, wherever there are Federal funds engaged in any activity, at any level; elementary, secondary, and higher education.

Mrs. **Green.** Isn't that your intent under title 10?

Mr. **Cross.** Yes.

Dr. **Marland.** We are trying to relate it to this particular law. But it cuts across all parts of our work. Virtually the same words and conditions apply to all the laws we propose to you. This one applies—having it couched in this particular bill is to have it insure that this bill is administered within the same terms of the Civil Rights Act as title 6 would apply to all the other funds we administer.

Mrs. **Green.** With that explanation and with Mr. Pottinger's explanation on enforcement, this seems good to me with the one exception of the bona fide grounds for differential, which opens a door as wide as wide can be.

Mr. **Quie.** I wonder if you would yield.

You can't have the same bona fide requirements now because at one time housing, as the Commissioner indicated, would have been a a valid reason for permitting discrimination, if you did not have a men's dormitory at Skidmore. But now, with coeducational housing, that is no longer a difficulty at all, that the men's dormitory and the women's dormitory have to be changed. Now you do not have to change the facilities, or put up new buildings for it.

What I have been wondering is what is that organization that is going to protest tokensim at Skidmore? We don't have those organizations.

Mrs. **Green.** Mr. Quie could enlighten you that there have been quite a few organizations that have objected to tokensim as far as hiring of women is concerned, as well as in hiring of blacks.

Mr. **Cross.** The bona fide clause, which Mr. Pottinger just read, refers to the protection of institutions which wish to remain as single-sex institutions. We struggled to find a term to allow them to maintain that if they wanted to. If Vassar wants to maintain its all-female student body, for instance—there are many.

Mr. **Steiger.** You do hope to be able to allow a school that wishes to be all male or all female to continue?

Mr. **Cross.** That is right.

Mr. **Quie.** Once they open the door, like Skidmore or Yale, they are in trouble.

Mr. **Cross.** Then the situation changes.

Mr. **Steiger.** But the chairman would not change that.

Mrs. **Green.** Indeed I would, but I am sure I do not have the votes. I see no reason for Federal funds to go to an institution that decides it wants to be all black or all white. With coeducation as the coming thing, I don't know why Federal funds have to go for the education of one sex over the other. That is my view.

Mr. **Brademas.** I would just like to ask unanimous consent subsequently to supply for inclusion in the hearing the test of a splendid lecture which I have earlier discussed with the chairman by Dr. Rose Mary Park, the distinguished president of Barnard College, delivered in recent weeks on the subject of women in higher education.

Mrs. **Green.** I trust there will be no objection.

Hearing none, it is so ordered.

(The document referred to follows:)

[The American Academy of Arts and Sciences, February 1971]

The 1511th Stated Meeting
Wednesday, February 10th
House of the Academy

At the February Stated Meeting, Jean Mayer will trace the knowledge of the science of nutrition: energy metabolism in the eighteenth and nineteenth century, protein and amino acids at the end of the nineteenth century and the beginning of the twentieth, vitamins from 1910 to the end of the Second World War, and nutrition and degenerative diseases in the last two or three decades. In his communication entitled *Towards A National Nutrition Policy,* he will discuss the altered nature of our food supply and the social changes which have produced a society in which many are overfed, while a substantial number are underfed or ill fed because of poverty.

Mr. Mayer is Professor of Nutrition and Lecturer on the History of Public Health at Harvard University; in December 1969 he chaired the first White House Conference on Food, Nutrition and Health. In the light of the debates and the recommendations of this conference and of its follow-up scheduled to be held on February 5, 1971, Mr. Mayer will focus his talk on an analysis of why events dictate the development of a national nutrition policy to eliminate malnutrition in the United States, to insure a safe and varied food supply, and to include nutrition in preventive medicine, particularly as it pertains to cardiovascular diseases.

The meeting will take place at the House of the Academy on Wednesday, February 10th, beginning at 8:15 p.m. It will be preceded by cocktails starting at 6:30 and dinner served at 7:00. A dinner reservation card is enclosed for resident Fellows. The price of the dinner is $5.00 each for Fellows and their wives and $6.00 each for other guests. Reservations should be received at the Academy office by February 8th.

Automobiles should enter the drive from 165 Allandale Street and leave by the drive to Newton Street.

The March Meeting

Richard Reinhold Niebuhr, Florence Corliss Lamont Professor of Divinity at The Divinity School, Harvard University, will present the communication at the Stated Meeting on March 10th.

"The Enjoyment of Their Natural Equality"

At the December Stated Meeting, Rosemary Park, Professor of Education at the University of California at Los Angeles, presented some thoughts on the higher education of women and on their role in society today. The title of her communication is from Thomas Jefferson's *Notes on Virginia* in which he comments on women's status in a civilized society. As Miss Park observed, Jefferson himself was not convinced that the education of women required special attention; in his mind, women's education represented an escape from the ennui of country life rather than a way of cultivating a resource for the public good. Neither his suggested outline of secondary education nor his plans for the University of Virginia provided for the admission of women. However, the fact that he spoke of women's natural equality permits one to deduce that he was not unwilling to see women's education on someone else's agenda, if not on his own.

Jefferson would have been unsympathetic toward Plato's challenge in the *Laws* that "nothing can be more absurd than the practice which prevails in our own country of men and women not following the same pursuits with all their strength and with one mind, for thus the state instead of being a whole is reduced to a half." On several occasions, Jefferson specifically rejected the notion that women's natural equality might bring them to an interest in politics. To Mrs. William Bingham he wrote in 1788: "Our good ladies, I trust, have been too wise to wrinkle their foreheads with politics. They are contented to soothe and calm the minds of their husbands returning ruffled from political debate." If by natural equality Jefferson meant identity of rights and privileges, this exclusion from politics would seem to be obvious discrimination. Clearly he did not mean *identity*, but an *equality* which connoted something close to diversity of gifts, each of which should receive its due respect.

Jefferson's society expected so much of its women in managerial techniques and technological prowess that the social and economic fabric of the households could scarcely have been sustained without them. Under these conditions, it was useless, Jefferson undoubtedly thought, to expect women to have time to study law or engage in political debate. Their knowledge of the classics was to be a solace like music or sketching in those rare intervals permitted by child-rearing or management of their homes. Jefferson believed that the women of his household were, in every sense, enjoying their natural equality even though they did not vote and were not permitted to attend his university. He knew that the nation would eventually have to face the problem of a black minority; it was less clear to him that the form of equality which seemed satisfactory to women in his age might subsequently be perceived as restrictive and discriminatory.

Miss Park emphasized that Jefferson's use of the phrase "natural equality" is specifically related to social conditions, to a civilized society. It is therefore possible to assume that this concept might be modified by changes in society. Indeed, in the United States the early discussions about higher education for women were very far removed from the Jeffersonian idea. To begin with, in the nineteenth century there was considerable dispute about physiological brain size. The weight of the average male brain exceeds that of the female by approximately 140 grams or 10%; when due attention is given to age and stature, about 100 grams of this represents true sex difference. However, it is now known that there is no necessary correlation between weight of brain and intellectual capacity. As the distinguished neuro-physiologist, H. W. Magoun, shrewdly observed: "Many individuals of marked intellectual ability have been found to have brain weights below the average; while we all know far larger numbers of persons, with the most meager intellectual capability, who possess brains of unusually large size and weight. They are commonly called 'fat heads.'" Unfortunately this scientific conclusion was not available in the late nineteenth century when the discussions of women's capacity for advanced education were most heated.

If size of brain could not be adduced, then the menses were usually cited as the reason for women's limited intellectual ability. In vain the women retorted that men could think and talk over dinner while their bodies were digesting food and that other physiological sequences of secretion and excretion were characteristic of human beings without mental diminution. Only the longevity of female college graduates and the reports of improved and continued good health in alumnae finally silenced that negative argument. How many girls were prevented from attending college because of these erroneous convictions is not known. But, in Miss Park's view, the excited discussion of physiological differences accounts for the emphasis on health and physical education which characterized the early women's colleges. In the end, the increase in scientific knowledge coupled with the elimination of the once fashionable long heavy skirts and narrowed waists helped to open the way for the higher education of women and contributed to the adoption of a different concept of equality, this time not social but intellectual.

The acceptance of women at major universities was not a simple matter, however. From the beginning both sides insisted that female students meet the same academic requirements as their male counterparts. In England the friends of Girton College phrased the problem well: "We can never get full recognition for the intellectual work of women till we test it by standards accepted for men." In 1872, when Andrew White, president of Cornell University, presented a report to the Trustees on Russell Sage's proposition to endow a college for women, he stated: "The truth that woman is the help-mate of man has practically led to her education in such a way that half her power to aid and counsel and comfort is taken away. The result has been that strong men in adversity or perplexity have often found that the 'partners of their joys and sorrows' give no more real strength than would Nuremberg dolls." The logic was irresistible; woman would be better able to perform her accepted tasks if her education were taken seriously and improved. "Nourished on the same thoughts of the best thinkers on which man is nourished," wrote White, she "can give aid and counsel and solace, while fulfilling every duty of the household." Thus it was in the role of partner to man, with her own traditional responsibilities now enlarged by a greater understanding of his, that women were permitted higher education.

In Jefferson's own time, a few women like Abigail Adams insisted on moving beyond the usually accepted circle of women's interests. In like manner when the first university programs were opened, a number of women enrolled in medical education programs. No doubt the interest in medicine was in part influenced by the desire to prove that women suffered no physiological disability which should bar them from higher education.

Yet, Miss Park noted, the traditional barriers were slow to weaken. A few women physicians appeared, but when women's suffrage was actively discussed, Queen Victoria herself opposed it – and not the Queen alone but many other women in the Anglo-Saxon world. This opposition to suffrage illustrates the fact that women seldom speak as a group. For some, education and the franchise were not necessary since the traditional forms of equality were satisfying. For others, the enlargement of women's role in public activity of all sorts was essential to fulfill a different life style. And so women became doctors, teachers, and occasionally lawyers. Women's colleges began to flourish and state universities, particularly in the West, accepted women on equal terms.

Those who had fought the first battles for women's higher education appeared to be successful; looking at the results a century later, their victory seems less certain. The paucity of American women in professions which require a graduate education remains shocking. The Honorable Edith Green reports that only 9% of the professors, 8% of the scientists, 6.7% of the physicians, and 3.5% of the lawyers in this country are women. Equally disturbing is the fact that women are concentrated in the lowest paying jobs in the larger labor market; almost a fifth of women college graduates have factory jobs or are sales, clerical, or service-trade workers. Neither suffrage nor higher education has developed an economic aspect to women's natural equality.

Nor is there any basis for encouragement when one examines the representation of women on the faculties of coeducational universities. At the University of California at Los Angeles, the number of women at the rank of full professor has risen from 3.2% of the faculty in 1964 to 3.3% in 1970. At the University of California at Berkeley, women full professors comprised 2.6% of the faculty in 1923 and 2.3% of the faculty in 1969-70.

An examination of the graduate enrollment at Berkeley reveals a similar pattern. In all fields there was a decline in the proportionate enrollment of women from 1921 to about 1951; at that point a gradual increase brought the percentage of female graduate students enrolled in 1969 to a point half way toward the peak of 1921. Studies at other universities exhibit essentially the same profile. Even the national figures projected on the basis of Office of Education information indicate that female enrollments which were at 28.1% of the total in 1955 will rise to only 30% of the total in 1975.

How can one account for this unanticipated development? The outbreak of a great war which uprooted and destroyed normal patterns of social and economic life was in part responsible. Those who were enrolled in America's women's colleges in the pre- and post-World War II years can testify to an extraordinary lack of concern for anything but modest personal security. A strange combination of weariness with living in high gear and of frustration with the complexities of an emerging post-industrial society led to complacency and acceptance in America and elsewhere of the traditional feminine role, to be lived in a split-level house or in a mechanized apartment, and only occasionally varied with a part-time dead-end job.

Miss Park asserted that it is doubtful whether the women's colleges could have changed this development, had they chosen to. They knew only too well the ambiguities attached to women's natural equality. Just as they were reluctant to undermine a simplistic religious faith, so they questioned whether they should urge upon their graduates a scope of endeavor which the students did not seem to wish to claim and which society did not suggest to them. It was not until ten or fifteen years later, when the graduates of the immediate postwar period began to search for useful activities outside their home, that these colleges came to realize that the definition of natural equality needed reexamination in the light of a changed society with more sophisticated aspirations. This scrutiny is now being carried out; and, as Miss Park remarked, there is much in the process to remind one of the climate of opinion surrounding the establishment of the first women's colleges. A deep concern on the part of a section of the younger generation, an increase in scientific knowledge of special significance to women, and support and interest from many men are all clearly evident.

Of the several social changes affecting women today, the most important is undoubtedly the significant improvement in methods of birth control. Family planning is a genuine reality and thus married women can accept obligations outside the home, free of the uncertainty which has characterized women's plans in other epochs. Concurrently the danger of overpopulation has become, for the first time, a subject of serious discussion. Into the most intimate area of life has come a degree of consciousness in decision-making which, coupled with a growing public concern, has almost completely removed the establishment of families from the realm of chance and instinct. Such a shift to greater rationality in an area previously left to the whim of the nonrational is evidence of a disintegration of custom and the possible emergence of a new life style which, in its own time though not now, may inspire an unthinking conformity.

An equally basic though more gradual change has taken place in the prevailing concept of work. Once tied to physical strength and endurance, work now generally connotes mental power and sophistication. This change in the nature of work has opened a far greater variety of occupations to women.

Engineering, formerly related to the vigorous outdoor life, can now be described as an armchair profession in which paper, pencils, and slide rules are the controlling and necessary tools. Similarly, architecture and planning are no longer closed to women on the grounds of physical capacity alone. But in these professions, as in more technical subsidiary activities, a higher level of training or education is required. Just as the nature of work has changed, so has the product of the effort which, in most instances, is now characterized by a built-in obsolescence deriving partly from those economic forces which prefer a temporary type of construction and partly from the rapid expansion of knowledge. In both instances, the corollary is a need for continuing education, both technical and professional.

Significant changes are also taking place within education itself. No longer is education an experience acquired during one's youth; today it is a continuing process of training and retraining which is relevant to all ages, to all occupations, and, therefore, to all sexes. Women's colleges are continually advising their alumnae of the fifties to update their undergraduate training or embark on a period of serious preparation for a completely new career. To have to tell a college graduate that her earlier training is inadequate simply underlines the speed with which knowledge is being produced and applied today.

Miss Park also pointed out that the role of women in society will be influenced by the durability of the cultural revolution now being spearheaded by the younger generation. It is not necessary to live in the midst of the university to realize that romantic love for the distant Vassar princess or Harvard prince is not the preferred form of emotional attachment today. Instead of distance, both geographic and psychic, there is the camaraderie of daily propinquity in blue jeans and casual slovenliness. The long hair, bright colors, and jewelry of the male and the pants, bare feet, and explicit language of the female are intended to demonstrate, along with behavior and change in interests, a more pronounced approach toward androgynousness than has occurred in any previous society. Under the impact of this counterculture, the established single-sex institutions have found it difficult to recruit students and are gradually becoming coeducational.

The arguments for and against coeducation often reflect the pervasive folklore of sex-linked intellectual activities. Male students state that coeducation leads to a stronger accent on the humanities and the arts, simply because literature, art, music, and sometimes even history and languages are "subjects girls study." Female students agree with a sex linkage; to them co-education means not more mathematics and science, as one might expect, but livelier class discussions. Both rationalizations for coeducation appear to substantiate a cultural determinism by sex which the more unconscious level of student behavior, namely dress and language, seems to belie, indeed to protest.

Of more profound concern is the counterculture's attention to the quality of the life it lives. In many different ways it rejects the postponement of pleasures until one has thoroughly earned them or is prepared to savor them in maturity. The almost forbidden question of where one expects to be in ten years is totally unimportant because it belongs to that most unreal concept – the future; it is much more important to exploit the present for self-actualization than to chart a narrow course ahead to economic security at some later time.

If this hedonistic sense persists in the younger generation, then work as we have known it will never again be an end in itself. Instead, flexibility or discontinuity in occupation may well become the determining characteristic of society. One could imagine a culture so present-centered that men and women would feel no social pressure to persist in a distasteful occupation or life style. The young today call this "doing your own thing." If it continues to be a central value in the post-industrial society, then educational institutions will have to learn to accommodate more readily than they do today mature men and women who consciously seek discontinuities in their lives and who need preparation for a new chapter.

This disintegration of old assurances means that some women will be free to follow the old style removed, for the present, from meritocracy and all its competitive aspects; the role Jefferson described of "soothing and calming" their husbands is, in modern parlance, "their thing." An increasing number, however, will seek to combine child-rearing and a meaningful career. In theory, part-time professional activity is an easy answer, but as Alice Rossi and others have shown, it is difficult to achieve in practice. A third kind of woman will continue, as she does today, to find fulfillment in professional life with or without the cooperation of a husband and family

Of these three categories, it is the middle group that will benefit most from a new concept of work. Instead of being termed special cases, women will become an integral part of a work force that serves shorter terms and shorter hours and adopts different methods and places of employment. If "our science based, cybernetic service-society" continues to endure without deviation, communication may become so highly sophisticated that more work will be done in the home. Types of planning and programming, kinds of invention and reporting, may be transferred into the home of the worker, thereby saving on transportation and permitting a variety of time schedules and ancillary activities. Moreover, it has been observed that the kind of work required of many professionals today is so time-consuming that it "cannot really be separated from leisure."

The effects of such changes in economic life have obvious and profound implications for women's activities. Perhaps Virginia Woolf was indeed prophetic when she advocated the concept of "a room of one's own." Homes in the future may require a study or office for both father and mother. It is not wholly improbable that exploitation of our present knowledge of communication technology could restore the home to an importance in economic life which it has not known for more than two centuries.

If such possibilities of futurology are to be exploited by women, it is essential that their university and college experience be unrestricted by folklore on sex-linked disciplines or by idiosyncratic discrimination toward female degree candidates. To discredit the myth that women cannot "do" mathematics and the hard sciences, some drastic and emergency methods should be applied, such as explicitly recruiting female graduate students into these departments and providing financial support for them through the regulation degree period. In exchange for a scholarship, the girl would promise to complete her work in the approved time period. Once it is clear that women can succeed in these fields, such Draconian agreements will not be required. In addition, special efforts must be made to see that women are represented on graduate faculties. The position of women in these areas should be viewed as part of the larger social pattern which has permitted some women to emerge out of the form of equality consonant with an agricultural, pre-industrial society but has not encouraged all women to consider this new path. In a time when our economic life depends increasingly on trained mental capacity and not on physical coordination, women's brains represent a vital untapped national resource.

Miss Park stressed that if women are to play the larger and more varied role which the post-industrial society seems to offer them, then the colleges and universities must reverse their present attitude toward female students. Instead of urging the exceptional girl to consider the professions or other occupations for which disciplined brain power is required, the universities should begin to assume that all girls, as well as all men, will contribute to the general welfare by their explicitly trained expertise. At a time when concern for the quality of life is so much a part of the aspirations of the new generation, women, with their traditional responsibility toward the very young, may be able to bring a special understanding of ecological problems to the solution of national concerns; if such a sex-linked understanding exists, it can only be enhanced by university training and knowledge.

In creating a new life style, the majority of young women today will count on the variety of options which they have had since the first colleges opened. They will expect more men to join them in experiencing several changes of focus in the course of their professional careers. Indeed, the changes that lie ahead may challenge not the woman but the man who, for the first time, must come to terms with the fact that a variety of forms of serious effort can characterize a lifetime. Miss Park concluded that if the cultural revolution of today can acquire respect for knowledge as well as cultivate its sensitivity to persons, it may develop a truly new value system and folklore; in this milieu, discussions of natural equality will be assigned to the history books since the sexes, through education and public activity, will have gained a new feeling of cooperation and mutual admiration, being both finally free and equal.

Mr. **Quie**. One last question. Do you have any anticipation that you would go to the Philadelphia or Chicago plan in higher education?

Mr. **Brademans**. For women?

Mr. **Quie**. Either way.

Mr. **Pottinger**. We are presently requiring goals, as they are called, of that kind at universities now under review, yes.

Mr. **Quie**. In both staff and enrollment, or is it just limited to the staff? Because you do not have the authority as yet in enrollment.

Mr. **Pottinger**. That is correct, it is limited to employment, with the provision Mr. Kiely testified to earlier that there may be instances where admission is a condition to employment, in which case it is possible that admissions will be reached because of that condition, and that position is now under review by the Office of General Counsel.

Mr. **Quie**. And will that vary from department to department in an institution, the goal that we are using now instead of quota?

Mr. **Pottinger**. I think it would vary from department to department to the extent that each department has to be given juridsiction by the Department of Labor to enforce its own particular areas under review.

Mr. **Quie**. I mean the departments in the institutions of higher education, say, the difference between the chemistry department and the home economics department.

Mr. **Pottinger**. It well may. We found at the University of Michigan that some departments have vastly different pools of women to draw from, or resources, than do others, and of course that would have to be reflected in the goals that are set.

Mr. **Quie**. So in that way, the goal would be set differently than in the Philadelphia plan where this is based, I believe, on the number of people available. They would depend on the pool of chemistry professors available that they could draw from that would be female, or the number of home economics professors that would be available that would be male.

Mr. **Kiely**. In dealing with universities, given the base of their present employment picture by department, they set the goals and we evaluate whether the goal appears to be adequate to solve the problem.

In the Philadelphia plan, it is directed toward construction. We have many fewer employees and it is established by trade and the goals are imposed—that is, a minimum goal is imposed—a certain percentage of man-hours must be minority workers, otherwise the contractor is not in compliance.

This was imposed by the Secretary of Labor, so the situation with the university is different. They establish their goals in terms of what they determined they can achieve, and we evaluate if it is acceptable.

Mr. **Quie**. And if it is not, you tell them to send you a new goal.

Mr. **Kiely**. Right.

Mr. **Dellenback**. Do I understand correctly, Mr. Pottinger, that in both the Michigan proposal, as best I understand it, and certainly in the Harvard proposal, we are dealing only with employment and not with admissions to the respective university?

Mr. **Pottinger**. That is correct.

Mr. **Dellenback**. Do I further understand correctly that as of the present time there is no law on the books equivalent to section

1001 of title 10 of the administration bill dealing with any requirements relative to sex discrimination in admissions to universities receiving Federal aid?

Mr. **Pottinger**. Not dealing directly with the issue, that is correct. Again, to clarify the discussion we had on admissions earlier, employment is our jurisdictional base. We can only act where there is discrimination in employment. We have discovered some instances in some programs where there is such a close correlation between employment and one's right to get to that employment through the admissions process; that it may be possible that through constitutional theories and law that has been developed in the same area with regard to race, we would have an obligation to say to that university: "You have effectively discriminated on the grounds of employment by setting up an admissions bar to that employment in that program."

This is not likely to be the case as far as we can see in any undergraduate admissions; it is only likely to be the case in some relatively few instances on the graduate level, and still it is not a settled point.

Mr. **Dellenback**. Why this particular discrimination or difference between the undergraduate and the graduate?

Mr. **Pottinger**. A concrete example, in undergraduate level, one's employment is not ordinarily a condition for admission to a given program. We do not ordinarily think of the kind of employment opportunities that sustain one's tuition to be that kind of employment such as a busboy who is helping to work his way through college. In some graduate programs, the converse is the case. You cannot be in a graduate program unless you are a teaching fellow or unless you are a research assistant employed by that university to do the work necessary for one's doctoral thesis, and indeed, in some cases, there may be a one-to-one relationship between that employment and one's admission to that program, you cannot literally enter a doctoral program unless you are employed in a given program.

In those instances, there may be this kind of relationship that I have discussed.

Mrs. **Green**. On that particular point, what about work-study? Work-study is a very large Federal student financial aid program, and the desire has always been that work-study will be related to the major of the student, so if a student is studying to be a nurse, the work-study employment might be as a nurse's aid in a hospital, et cetera.

Mr. **Pottinger**. We believe it would hold in those cases where we would identify that kind of a relationship between employment and admissions. But I have to say to you now that our position is that employment is still the jurisdictional base that we must protect. Nondiscrimination employment is what we must protect.

To the extent that that affects admissions, we do have a very high obligation to identify that kind of a close relationship. We do not believe that it makes sense, nor would it be permitted under the executive order, to reach admission as a whole through a convoluted or extended theory of employment.

Mr. **Dellenback**. Rather than push this further now, in view of the statements which you Mr. Pottinger and Mr. Cross have made, Mr. Commissioner, as to the possible impact of section 1001 and the possible interpretations of 1001, I would think we need to take a good, hard look at that, and when the Secretary comes back next week—and I assume Mr. Commissioner, that you will accompany him—that we could have further discussion of it at that time.

I think we are here into a very important point. We are into the question of reaching into the admissions policies of universities which on the one hand have always been coeducational; on the other hand, into universities which have been, like Skidmore, not coeducational, or like Yale, not coeducational.

And now we are saying that, according to Mr. Cross, the language of the second sentence of subparagraph 1001(a) would still protect a university which was 100 percent noncoeducational. But if it intends to be 99 to 1, or anything else but 100 percent, then it is not protected any longer or it has no right any longer to discriminate.

In view of Madam Chairman's comments as to what her thinking would be, it would seem to me we ought to explore this in greater detail, but perhaps we should do it after you have had a chance to look at it again in the light of today's questioning. I think it is very important what it is that the administration would be seeking to achieve—not just how we would interpret the language, but what is it you want this language to say, and where is it we really want to go.

So I will withhold further questioning, Madam Chairman, and yield back my time on this with the expectation we can talk about this more thoroughly next week.

Mr. Pucinski. You talked about discrimination because of sex and race. What are your guidelines or standards for determining the extent of discrimination because of national origin?

Mr. Pottinger. They are the same as they are with regard to sex and race, Congressman. We believe that the mechanisms and the procedures we follow for identifying that form of discrimination which exists on the grounds of sex and race are equally appropriate to identifying the same sorts of discrimination against Spanish-surnamed Americans or other national origin minorities.

Mr. Pucinski. Have you initiated any actions to ascertain the degree of discrimination against various ethnic groups in this country? It is interesting that you can look through a graduation list in universities and it is the exception rather than the rule to find a Spanish surname or a Slavic surname on those lists.

Is that of no concern to you people at all?

Mr. Pottinger. We have done reviews for national origin discrimination in every area where we have any—where there are any national origin minority, either students or faculty members, academic or nonacademic, employed by the university or to be employed.

For instance, we presently are investigating a set of allegations against certain Texas medical schools. The same has been done in California, in Utah, and I could name others off the top of my head, or I could supplement the record.

Mr. Pucinski. How does a student go about lodging a complaint? What is the basis, what is the mechanics?

Mr. Pottinger. Since we have jurisdiction over employment perhaps I could answer the question by saying an employee, whether it be a student or whoever, the ordinary mechanism for lodging a complaint is to direct a letter to our office. That is usually done through a Congressman's office or a Senator's office, but there are many occasions upon which we find mail coming directly to us.

Those complaints are logged, they are reviewed for their substance, and we respond ordinarily in a very short period of time to the complainant, either again with a courtesy copy to his Congressman or directly through his Congressman.

Mr. **Pucinski**. How do you ascertain, though, whether indeed a student or employee has been a victim of discrimination because of national origin? How do you prove that?

Mr. **Pottinger**. It is not easy. What we usually do is to review the records of the institution very carefully as to rates of pay between, for instance, a white Anglo and a Mexican-American employee, both of whom hold the same or equivalent positions, in which case if the rate of pay is substantially or perceptibly lower for the national-origin party, the minority party, then that indicates to us discrimination.

Now in some cases where this is an individual problem, it may be more difficult for us to prove that there was intentional discrimination. In other cases where we find a pattern either existing with one individual over a period of time or with many individuals, then we do have a very clear and well-documented case.

In between those poles lie the shades of judgment that we must make.

Mr. **Pucinski**. Do you limit discrimination because of national origin only to Spanish surnames?

Mr. **Pottinger**. Not at all.

Mr. **Pucinski**. What are some others?

Mr. **Pottinger**. Every national-origin minority that we have identified, I think it is fair to say, through the same identification systems used by the Civil Rights Commission. I do not know that we go beyond that.

Mr. **Brademas**. I am sure Mr. Pucinski has in mind the Greeks and I have in mind the Poles.

Mr. **Pucinski**. I was trying to find out. We hear this lovely slogan, "There will be no discrimination because of race, sex, or national origin." I am trying to find out what do we mean by national origin? Do we mean only Spanish surnames or do we mean a kid of Bohemian descent or Lithuanian descent or Greek or Polish? What do we mean by national origin and what are the guidelines? What are the criteria?

Mr. **McKinney**. Basically it is persons of Spanish origin. This is as defined by the Civil Rights Commission, and to include people of, well, the Spanish and oriental origin.

We do entertain complaints from other individuals, people of Polish background. But there is not an organized program with regard to it.

Mr. **Pucinski**. You mean protest, not program.

Mr. **McKinney**. I am talking about a HEW program.

Mr. **Pucinski**. But there is no organized protest. I get the feeling that in these civil rights enforcement shops, it is the wheel that squeaks the loudest that gets the oil. If you go down and burn down a couple of universities and go out on a few rampages and create a lot of turmoil, you get recognition, but the vast majority of middle-income America suffers in a kind of silent desperation because they do not get any consideration, do they?

Mr. **Pottinger**. That is not our policy and I don't believe that is our procedure.

Mr. Pucinski. Was it the policy?

Mr. Pottinger. Let me say it is not necessary for a minority person to burn down a university to get our attention, and in fact, the vast majority of cases that we act on are acted upon on the basis of a letter, a simple, simply stated complaint.

The same would be true for any national-origin minority. If a group of, or a single person of, Greek origin of Polish origin were to file a complaint with us indicating that it was his national origin that was the basis for discrimination against him, I can assure you that we will take that into consideration every bit as much as we do any other minority complaint we receive, and it will be necessary for him to do nothing other than file that complaint with us to get that attention.

Mrs. Green. If my colleague would yield?

"The wheel that squeaks gets the attention" is obviously true as far as the second Executive order. If there had not been a lot of women's organizations yelling, that modification of the Executive order would never have been issued; isn't that right?

Mr. Pottinger. I think that is right, but once issued, the question arises as to how individuals who fall under the umbrella of that may make their grievances known. I am suggesting there is no limitation on our program that would exclude any minority person.

Mr. Pucinski. Let us assume a young student of Lithuanian background who otherwise has the academic qualifications comes to you and says:

> Look, I have been denied admission to this school and I have reason to believe that I have been denied this admission because of my national origin.

Now, he may feel that way. What I am trying to find out is what is the mechanism that exists in your agency to ascertain the validity of that claim, if any?

Mr. Pottinger. Once having received that claim, it is an on-site review, a contact with that individual, a contact with the employers, whether it is the university or a subagent of the university, a review of records, a review of the statements, a review of the allegations in their specific and general terms, and from that, a conclusion as to whether or not we believe that the allegation is substantiated.

Mr. Pucinski. But in the case of both racial discrimination and discrimination based on sex, you use another dimension. You look at that university and if that university does not have any students of one particualr race, you conclude that obviously, there is a pattern of discrimination, and if that university does not have students of a particular sex or a particular job for a particular sex, you conclude there is discrimination.

Do you use that same criteria where national origin is claimed as a basis for discrimination?

Mr. Pottinger. We do use the same criteria although it is a little different from your characterization of it. We do not simply look at the results and from an absence of a national origin or racial minority group conclude from that absence alone that there has been discrimination.

The legal standards do not permit us to do that for reasons that I assume are obvious to us all. What we do do is look at that as one indication of a possible process by which persons are discriminated against. Again, I assume you that if complaints were to be received from a Lithuanian person or an American of Polish descent, we would apply precisely the same mechanism and standards to that person. We have an obligation to do so.

Mr. PUCINSKI. Admitted, this national origin part is a good deal more to enforce, I agree with you on that, and I do think you have some problems. But I am pleased to hear that you are at least aware of this, and I think as we move along you are going to see more and more emphasis on this particular aspect, because the so-called middle-class America, which is made up of many ethnic groups, is just about tired of suffering in silent indignation.

You are starting to hear from that quarter of our society. So I would strongly recommend that you take a hard look at your criteria and guidelines because you are going to hear more from that sector.

Mrs. GREEN. Thank you very much, Mr. Pottinger. If there are no more questions, I understand your schedule is very crowded and you would like to be excused.

Mr. POTTINGER. If it is agreeable with you.

Mrs. GREEN. I appreciate very much your being here. I think you have been very helpful and a very articulate witness.

I might also say, Mr. Commissioner, that in the language in title 10 I appreciate the fact that this recommendation goes farther than title 6 in terms of the recipient rather than a program, which from my standpoint is excellent.

Thank you again, Mr. Pottinger.

Mr. POTTINGER. If it is not inappropriate for me to do so, I would like to enter a somewhat unrelated item into the record.

I have been informed a few minutes ago that Whitney Young died this afternoon of a heart attack, and I think it might be appropriate for me to enter into the record at this time condolences to his family and expression of grievance on the part of both the minority community and those agencies of the Government and the community who relied so heavily on him.

Mrs. GREEN. Thank you very much. That is indeed appropriate.

Mr. Pottinger, too, you offered to supply for the record at the appropriate point more of the details on that Michigan case, and the agreement that has been reached and the plan they have submitted to you for approval.

Without objection, I would like to have that as part of the record.

(The material referred to follows:)

CHICAGO, ILL., *October 6, 1970.*

MR. ROBBEN W. FLEMING
President, University of Michigan,
Ann Arbor, Mich.

PRESIDENT FLEMING: On may 27, 1970, a letter of allegations on behalf of an organization named Ann Arbor Focus on Equal Employment for Homes was forwarded to The Secretary of Labor, Mr. George F. Schultz. The letter of allegations was signed by Miss Jean L. King and Mrs. Mary M. Yourd. The letter charged discrimination at the University of Michigan on the basis of sex.

The Department of Health, Education, and Welfare, Office for Civil Rights in Chicago was assigned the investigation of the allegations. A team of investigators was on the Ann Arbor Campus of the University of Michigan, August 17, 1970 thru August 21, 1970. The team returned to the campus August 31, 1970 and remained thru September 4, 1970. During the visits to the campus, interviews were held with the representatives of the complaining organization and University of Michigan officials. Data regarding employment practices and individual personnel folders were reviewed.

The findings of the investigation are summarized below.

A. Admission to Ph.D Graduate Level Programs

1. Executive Order 11246 forbids discrimination according to race, religion, sex, age, and national origin in employment. Admission to the Ph.D level of academic training where employment as teaching assistants and research assistants is an integral part of the program is covered under the authority of the Executive Order.

2. The following chart indicates that women are not continuing to work for Ph.D's at the University of Michigan at the same rate as men. Women are well represented on the Masters Degree level. Women tend to decrease in representations on the Ph.D level, while men increase significantly.

	M.A.		Ph.D.		Percent change	
	Men	Women	Men	Women	Men	Women
Botany	11	15	26	14	+136.0	−71.0
English language	79	109	91	40	+16.4	−636.0
History	65	48	117	28	+77.2	−42.6
Germanic language and literature	12	23	13	11	+8.3	−52.1
Political science	40	22	104	16	+160.0	−27.2
Mathematics	65	43	127	19	+95.3	−63.1
Chemistry	22	11	117	13	+326.3	+13.0
Total	295	271	595	137		

3. Interviews with some students revealed that females are being discouraged from continuing for Ph.D training by departmental counseling. The interviews confirmed the allegations from the women's group.

4. The criteria for admission to the Ph.D programs where employment as a teaching assistant or research assistant must be the same for males and females.

The Executive Order requires not only nondiscrimination in this area, but affirmative action to overcome deficiencies and underutilization of women in the University of Michigan's Ph.D level programs.

B. Academic Faculty Positions

Discriminatory hiring practices have resulted in underutilization of women in faculty positions at the University of Michigan. Despite a pool of qualified women applicants and a representative number of women who receive Ph.D Degrees in their departmental specialities, the departmental breakdown of the University of Michigan show marked discrepancies in the number of women available and women representation on the present faculty. Some examples of are shown on the chart below.

Breakdown of Departments at the University of Michigan by Sex Showing the Total Number of Positions in the Department, the Percentage of Females, the Percentage of Female PhD's County-wide, the Percentage of Female Applicants for Employment for 1970–1971.

	Present faculty			Potential faculty		
Department	Total faculty department	Female faculty in department	Percent females	Percent female Ph. D's graduated 1967–68	Percent of female Ph. D applicants for employment	Percent of women accepted to University of Maryland Ph. D. (graduate) program, 1970–71
Botany	19	2	10.5	17.8	(1)	25
English language and literature	100	7	7.0	27.4	22.1	41
Germanic language and literature	24	2	8.3	23.9	33.3	54.5
History	59	3	5.0	13.0	6.3	16.1
Journalism	12	0	0	15.6	(1)	50.0
Philosophy	27	1	3.6	9.1	4.1	13.4
Library science	19	8	42.0	31.8	21.5	83.4
Total	209	23	8.0			

[1] N/R available, though requested.

Some of the personnel practices which contribute to the absence of women in faculty positions at the University of Michigan are listed below.

1. Department chairmen indicated in interviews that the primary recruiting source for academic positions are professional meetings and conferences. Much valuable employment information is exchanged at these meetings. They constitute a type of "grapevine" method of recruitment. This type of recruiting tends to be covertly discriminatory because to persons who are not part of the "grapevine" most of the information regarding employment possibilities is not available.

Since women are not in the positions of faculty chairmen and high-ranking faculty, the "grapevine" method of recruiting tends to perpetuate the present composition of the faculty positions.

2. Applications for employment unsolicited by department chairmen receive very little consideration or attention. In some cases, they are filed away without comment, kept for a year, then destroyed. The University may be overlooking many well-qualified male and female applicants by this practice. However, this practice works mostly against female applicants as their qualifications may not come to the attention of the hiring authorities through any other method.

3. At the University of Michigan, screening committees, faculty committees, and ad hoc committees which are assigned the responsibility for selection of applicants are almost uniformly made up of all men. This may be another factor which has an effect on retaining the sex composition of the faculty positions.

4. Interviews with the department chairman regarding the inclusion of women on their faculties indicated a lack of sensitivity on the part of persons who are crucial to the equal employment opportunities for women. There were indications that persons in the decision-making positions in regard to employment do not use equal criteria in evaluating male and female applicants for employment.

Executive Order 11246 as amended by E.O. 11375 requires that the same qualification for employment be applied to both men and women. Many department chairmen who realize that women are underutilized in their departments do not realize they are required by the Executive Order to rectify the situation by affirmatively recruiting women faculty.

5. The University does not have a written policy regarding Nepotism (Tandem Teams). Confusion has developed because of this, and the various department chairmen interpret nepotism in many ways. It was found, however, that these interpretations work against the female member of the tandem team. See the following chart.

TANDEM TEAMS

Name	Title	Full-time salary rate	Department
Aller, Margo	Research associate	$9,600	Astronomy.
Aller, Hugh	Assistant professor	12,502	Do.
Chalmers, Thelma	Research assistant	8,000	Institute of Labor and Industrial Relations.
Chalmers, W. Ellison	Research associate	25,000	Do.
Kaplan, Rachel	Lecturer	14,878	Psychology.
Kaplan, Stephen	Associate professor	17,683	Do.
Chesler, Joan	Research associate	11,440	School of Education.
Chesler, Mark	Lecturer	17,680	Do.
Crowfoot, Dale	Research associate	11,440	Do.
Crowfoot, James	Lecturer	14,560	Do.
Guskin, Judith	Research associate	14,560	Do.
Guskin, Alan	Lecturer	17,131	Do.
Lohman, Anita	Research associate	15,640	Do.
Lohman, John	Lecturer	15,120	Do.
Wittes, Glorianne	Research associate	14,000	Do.
Wittes, Simon	Lecturer	15,900	Do.
Hoffman, Lois	Lecturer	15,100	Psychology.
Hoffman, Martin	Professor	18,400	Do.
Kolars, Ann	Associate Professor	14,600	Geography.
Kolars, John	do	17,900	Do.
Townes, Marjorie	Research associate	10,950	Forestry.
Townes, Henry	Professor	20,000	Do.

Note: A list of all husband and wife academic including those working in different departments was requested.

6. The chart shows that in 10 cases of the 11 cited, the female member of the team is paid less than the male member. In only one case is the female member of the team in a tenure position. In that case though she has the same title, she is paid less than her husband.

In addition to the wage differential in the case of the Kolara in Geography, the reviewers found another area of concern. Ann Kolara does not have tenure, while the other Associate Professors do. Her file clearly shows the reason for this: "Deserves a professorial appointment, and would have tenure in a major department were it not for the fact that she is in the same field (and, in this case, the same department) as her husband," and "Because her husband is on the departmental staff we are not able to make use of her considerable skill in all aspects of the departmental programs, but she makes a remarkable contribution in those areas where she can work."

C. Wages Discrepancies Among Academic Personnel

It was reported during interviews that some woman faculty members were being paid less than men of the same rank and background. Some examples of wage discrepancies follow:

1. In one department, a serious wage differential appears. A woman assistant professor has the lowest salary in this rank. She receives a salary of $10,900. The *median* salary at the rank of assistant professor is $11,525. This woman's qualifications as revealed in her personnel record are equal to or better than her male counterparts. She has published, and, unlike many of her male colleagues she had a year teaching experience as an assistant professor at another college. She received her Ph.D at an institution comparable in stature to the institution attended by her male counterparts. Finally, she is one of the more senior assistant professors, having been appointed in 1966. Yet she is earning substantially less than men hired after her.

2. In another department, there was found a case of salary differential. A female associate professor received far less than all associate professors and less than several assistant professors. Her salary, prorated, is $12,800 while the men at the same rank receive $15,600 prorated and $15,500. Two assistant professors receive $13,000 and $13,200.

Her qualifications are impressive. She has an outstanding undergraduate record from a prestigious school and received her Ph.D from another prestigious school. She has a "respectable" publication record.

3. The attached letter, Exhibit #5, was received unsolicited from a female faculty member at the University of Michigan. It is a chronicle of events leading to a pay increase for this particular person. It is an example of the University of Michigan's failure to provide equal pay for equal work for its female academic employees.

Non-academic positions

There are 1,008 job classifications in the non-academic categories at the University of Michigan, 305 of the classifications were reviewed. The non-academic staff at the University consists of 3,415 males and 6,226 females. The ratio is approximately 2 females to 1 male.

It was found that there were 20 job classifications which were almost completely made up of females. The average wage of those classifications was $595.49. There were 25 classifications which were almost totally made up of males. The average salary was $1,049.52. List of these classifications are attached.

This finding confirms allegations made in interviews that (1) There are jobs at the University of Michigan that are segregated by sex, and (2) The "female jobs" are the lower paying secretarial and clerical jobs with little status, responsibility, or opportunity for advancement.

The charts below show two examples of where men and women compete, and there is a clear progression of job difficulty and compensation. As the salary and job difficulty rises, the percentage of men in the job rises.

OFFICE SUPERVISORS SERIES

Title	Males	Females	Percent of males
Office supervisor I	2	44	4.3
Office supervisor II	4	28	12
Office supervisor III	8	13	38.1

ASSISTANTS IN RESEARCH SERIES

	Males	Females	Percent of males
AIR I	12	47	20
AIR II	13	51	19
AIR III	8	27	27

Note: There is a ratio of 2 females to 1 male in the nonacademic job categories at the University of Michigan.

In other areas and job classifications, it is seen that certain middle to high level positions are the province of males. The chart below indicates a trend to using men in these positions:

Job classifications	Number of males	Number of females	Percentage of males
Directors	14	[1] 4	77.8
Managers	46	3	93.9
Supervisors (other than office supervisors)	44	10	81.5

[1] 3 women directors are assigned to positions that are traditionally female, i.e., director nursing, director dietetics, director voluntary services.

Note: Women outnumber men in nonacademic jobs approximately 261.

Additional evidence of the segregation of certain jobs can be found in the fact that certain areas within non-academic jobs such as accounting and purchasing have very few or no women, except in low-level clerical positions. From the personnel files reviewed, the University is employing several women in low administrative jobs though they have M.B.A.'s and B.B.A.'s with accounting and purchasing experience, who would be qualified for high level positions in these 2 areas.

The following chart is a breakdown of the accounting and purchasing job classifications by sex and salary.

ACCOUNTING AND PURCHASING JOB CLASSIFICATIONS

Job classification	Male	Female	Average salary
Purchasing agent	5	1	$1,525.00
Principal auditor	6	0	1,286.11
Assistant chief accountant	3	1	1,283.33
Financial analyst	8	0	1,018.85
Assistant supervisor, accounting	16	3	923.31
Senior cost analyst	3	0	906.66
Senior accountant	9	2	864.35
Senior buyer	10	0	802.71
Budget analyst	3	0	796.11
Accountant	23	5	737.24
Accountant analyst	2	0	685.25
Principal accountant clerk	4	34	591.02
Senior accountant clerk	3	46	513.16

It was found that women are in many cases getting less pay than men with the same job titles, responsibilities, and experience. This is illustrated by the chart relating to administrative assistants. Equally alarming is the documented tendency toward giving men higher starting salaries than women in the same job classifications. See Chart #2.

A corollary to the above wage discrimination is the discrimination against women in assignment. The assignment situation is documented by the various comparisons of men and women in different job categories found in Chart #1. It is shown by the chart that women are hired originally as secretaries regardless of their qualifications. Records in the personnel folders indicated that all women who processed through the personnel department were given typing tests, while there was no indication that men ever were required to take the typing tests.

Underhiring appears to be the cause of the present job segregation, wage differentials, and promotion difficulties, and assignment problems of women at the University of Michigan. A large number of women with bachelor degrees and administrative or research experience are hired as secretaries of various level, while men with similar experience and qualifications who applied for work at the same time were hired at higher paying jobs with greater opportunities for advancement. The underhiring is particularly apparent when comparing women with bachelor degrees in non-marketable subjects, i.e., English, Music, and History. Relevant criteria for hiring in these areas would be previous related experience. See Chart #3.

Underhiring is related to wage differentials as all regular promotion and salary increases are based on a percentage of the present salary. Therefore, a woman who was initially hired at a lower salary than a man may never make up the initial inequity despite many promotions and salary adjustments.

Examples of this are shown in the chart in the Sr. Administrative Assistant's category. Six of the seven men's folders reviewed show the men getting salaries in the top half of the salary range while six of the seven women's salaries show women salaries in the bottom half of the range. The men's and women's folders reviewed were matched for hiring at approximately the same time. See Chart #3.

A related problem and a source of concern and much frustration to the non-academic females at the University of Michigan was the absence of job descriptions. In the light of the allegations of equal pay for equal work, the University should communicate its duty requirements for each job classification with adequate job descriptions.

OTHER FINDINGS RELATING TO DISCRIMINATORY EMPLOYMENT PRACTICES

1. In order to comply with the Executive Order, advertising must not only carry the ERO tag-line, but it must not be discriminatory in its content. For example, an advertisement headed, *Attention—Student Wives* is not in compliance with the Executive Order.
2. The Grievance Committee for non-academic employees has no women. Women comprise approximately ⅔ of the academic workforce.

The above findings established that the University of Michigan is not complying with the requirements of E.O. 11246 and 11375.

In order for the University to continue its eligibility to receive government contracts, you must provide a written commitment to stop the discriminatory treatment of women, to erase the effects of this discriminatory treatment and to develop and implement an amended Affirmative Action Program which will insure equal opportunity for women in employment and in treatment during employment with the University. This amended Affirmative Action Program must respond specifically to the findings contained in this letter.

The amended program must include detailed plans to take the following precise actions and the dates for completion of the actions.

1. Achieve salary equity between current male and female employees in every job category within the University which are currently occupied by both male and female employees. This will necessitate an extensive analysis of employment records and your analysis must be an attachment to your program.
2. Compensate through the payment of back wages, each female employee who has lost wages due to discriminatory treatment by the University. The payment of these back wages must go back to October 13, 1968, the date on which E.O. 11375 became effective and the University assumed a contractual obligation not to discriminate on the basis of sex. This also will necessitate the analysis of the employee records of each female employee and a comparison of her wages during this period with male employees similarly situated. This analysis must also be included as an attachment to your program.
3. Achieve a ratio of female employment in academic positions at least equivalent to their availability as evidenced by applications for employment by qualified females for these positions. Specific numerical goals and time tables by department must be included in this program and supported by statistical analysis of female applicant flow and availability.
4. Improve the ratio of female admissions to all Ph.D graduate programs in which admissions are connected with specific employment opportunity such as teaching and research assistantships. Numerical goals and time tables must be presented along with the statistical analysis used in establishing them.
5. Increase the participation by women on committees which involve the selection and treatment of employees both academic and non-academic. Again numerical goals and time tables must be presented.
6. Develop and issue a written policy on nepotism which will assure uniform treatment of tandem teams throughout the University and which will not have the effect of discrimination against the female members of such teams.
7. Analyze the effect of the past interpretations on nepotism and achieve salary equity and retroactively compensate any person who has suffered such discriminatory treatment because of past interpretations of the nepotism policy. The analysis and resulting time tables for these actions must be included in this program.

8. Assure that female applicants for non-academic employment receive consideration for employment commensurate with their qualifications. Assure that the concept of male and female job classification is eliminated through the recruitment, placement, transfer, and promotion of male and female applicants and employees into occupations from which they have traditionally been excluded. Numerical goals and time tables for the achievement of these requirements, supported by statistical analysis must be included in the program.

9. Assure that all present female employees occupying clerical or other non-academic positions and who possess qualifications equivalent to or exceeding those of male employees, occupying higher level positions be given priority consideration for promotions to higher level positions for which they qualify. Numerical goals and time tables are also required to meet this requirement.

An amended Affirmative Action Program must be submitted to this office within 30 days of the date of this letter. We will, of course, evaluate the program you develop to determine whether or not they appear to be acceptable and responsive to the problems we have identified.

Respectfully,

DON F. SCOTT,
Civil Rights Specialist,
Office for Civil Rights.

THE UNIVERSITY OF MICHIGAN,
OFFICE OF THE PRESIDENT,
Ann Arbor, December 8, 1970.

Mr. DON F. SCOTT,
Civil Rights Specialists, Office for Civil Rights, Department of Health, Education and Welfare, Chicago, Ill.

DEAR MR. SCOTT: The University commits itself to maintain nondiscriminatory hiring and employment practices and to take affirmative action to ensure that applicants are employed and that employees are placed, trained, upgraded, promoted, and otherwise treated during employment without regard to sex.

The University will, within 90 days, file a further amended affirmative action program to modify Exhibit B of our letter of November 3, 1970, which you have cited, including specific numeric goals and timetables. Meanwhile, to correct deficiencies cited the University commits itself as follows:

1. The University will achieve salary equity between male and female employees having the same qualifications, responsibilities and performance in the same job classification. Immediate review of files will be undertaken and a complaint procedure announced to determine inequities. Such inequities will be corrected within thirty days.

2. The University commits itself to the payment of back wages to any female who has lost wages due to discrimination by the University because of her sex. Back pay will date from the date of ascertained discrimination, but not earlier than the date on which the University of Michigan signed its first contract under Executive Order 11246, as amended.

3. The University of Michigan commits itself to the vigorous recruitment of females for academic positions to be certain that those who have comparable qualifications and potential are given equal opportunity to males who are being considered for the same positions.

4. There are no Ph.D. graduate programs at the University of Michigan in which admissions are connected with specific employment opportunities. All employment opportunities for graduate students within the University are open to all qualified students without discrimination and will continue to be so administered.

5. The University will issue a policy on nepotism within thirty days which will ensure equal treatment of tandem teams throughout the University. Any identifiable inequities will be compensated with appropriate back pay.

6. Male and female applicants and employees will not be segregated for purposes of recruitment, placement, transfer, or promotion in any job classification.

7. All present female employees occupying clerical or other non-academic positions who seek promotion and who possess qualifications equivalent to those of higher level male employees will be given priority consideration for promotions to higher level positions for which they qualify.

8. Review of the above operations will be under the supervision of Vice President Fedele Fauri and a commission on women which will include representatives of female administrative, academic, and nonacademic employees.

We hope that the foregoing will clear up the major differences between your requirements and our commitments. We have today transmitted the enclosed telegram to Secretary Richardson asking for a top level review of our problem.

Sincerely,

R. W. Fleming.

Telegram to Secretary Richardson

We are currently negotiating compliance agreement re sex discrimination with HEW. A telegram of our commitment has gone to Chicago today and we are attaching a copy for you. There appears to be substantial agreement except for two items: (1) a proposal from HEW which we regard as unworkable that we "achieve a ratio of female employment in academic positions at least equivalent to their availability as evidenced by applications for employment for those positions," and (2) HEW's assertion of jurisdiction over admissions policy with respect to certain Ph. D. programs. These are serious internal educational policy questions affecting not only this institution but many others. We are confident that you do not wish to use the contract compliance device to coerce universities into signing agreements on matters of profound significance without providing an opportunity to review the matter with your top officials.

Because HEW is currently withholding approval of new or continuing contracts, some research and service activities in support of federal programs will be impaired within the next few days if the current embargo is not lifted.

On the basis of our commitment telegram attached hereto; we respectfully suggest three alternatives for resolving the problem: (1) Lift the contract embargo on The University of Michigan until you can discuss these policy questions with the Arthur Flemming group with which you have been meeting; or (2) grant us an opportunity on December 10 or 11 to meet with you and your advisors so that a temporary suspension of the embargo can be arranged pending clarification of these points; or (3) ask a select group of university representatives to meet with you to evolve a common policy for a common problem. We would point out that HEW's position cannot be prejudiced by taking such a step since there is a steady flow of contracts with the University of Michigan should the Department determine later to reinstate the embargo.

We are unqualifiedly opposed to discrimination on the basis of sex, but we do not believe you intend that Executive Order 11246 be administered in a manner which could imperil vital educational objectives.

We will be grateful for an early reply.

R. W. Fleming,
The University of Michigan.

The University of Michigan,
Office of the President,
Ann Arbor, *March 8, 1971.*

Mr. Don F. Scott,
Civil Rights Specialist, Office for Civil Rights, Department of Health, Education and Welfare, Chicago, Ill.

Dear Mr. Scott: In my letter to you dated December 8, 1970, I indicated that the University would file an amended affirmative action program including numeric goals and timetables. These materials are enclosed.

The University has made considerable progress during the past 90 days, and we intend to continue this effort in various ways, as indicated in the enclosures.

I am taking the liberty of sending a copy of this letter and enclosures to the attention of Mr. J. S. Pottinger in Washington since one or two facets of our amended program are responsive to suggestions made in his letter of December 24, 1970.

If you have any questions or comments, please feel free to contact Vice President F. F. Fauri.

Sincerely,

R. W. Fleming.

THE UNIVERSITY OF MICHIGAN EQUAL EMPLOYMENT OPPORTUNITY AFFIRMATIVE ACTION PROGRAM—NON-DISCRIMINATION ON THE BASIS OF SEX

The Bylaws of the Regents of the University of Michigan, as implemented by the University's Equal Employment Opportunity Affirmative Action Program of 1969, set forth unequivocally that there shall be no discrimination because of sex. This existing program specifically reaffirms the University's commitment that "the University, through its employment practices and procedures, seeks and employs qualified personnel for all of its diverse activities and at all of its facilities and provides equal opportunities during employment by administering each and every phase of its personnel program without regard to the non-relevant factors of . . . sex . . ."

As recognized in the recently published Department of Labor Sex Discrimination Guidelines, special problems, and therefore definite treatment, may be needed to achieve equal employment opportunity for women.

Therefore, the University of Michigan, in reaffirming its commitment to equal employment opportunity for all, undertakes the following additional affirmative steps to emphasize its commitments to women:

1. The University will achieve salary equity between male and female employees having equivalent qualifications, responsibilities, and performance in the same job classification. Review of files has been undertaken; and a procedure is being developed to review alleged inequities. Inequities will be corrected within thirty days of discovery. Moreover, the University will strive to achieve salary equity among all employees having equivalent responsibilities, performance, and qualifications.

2. Each administrative or operating unit, in cooperation with the personnel function, will continue to review and evaluate the status of staff members. More specifically, the University will ensure that:

   (a) Employment of relatives (including tandem teams) will proceed in accord with the University's recently revised policy on nepotism.

   (b) There is no segregation of male and female applicants and employees for purposes of recruitment, placement, transfer, or promotion in any job classification.

   (c) All present female employees, including those occupying clerical or other non-academic positions, who seek promotion and who possess qualifications equivalent to those of higher level male employees will be given priority consideration for promotions to higher level positions for which they qualify.

3. The University of Michigan will vigorously recruit females, including women for academic appointments, to assure equal treatment for men and women.

4. The University has prepared numeric goals and timetables which set forth the results anticipated from the actions specified in items 2 and 3. These goals and timetables will be reviewed at least annually by each administrative and operating unit and by the Commission on Women.

5. The University will pay back wages to any female who has lost wages due to discrimination by the University because of her sex. Back pay will begin with the date of ascertained discrimination, but not earlier than the date of Executive Order 11375 (October 13, 1968).

6. Each member of management and supervision will periodically be informed of the responsibility to assure compliance with the University's Equal Employment Opportunity Affirmative Action Program and that the program includes a requirement for affirmative efforts in the employment, promotion, and salary administration policies and practices to preclude discrimination on the basis of sex.

7. The question of discrimination, including sex, always involves analysis of facts. The University shall make available relevant information within the bounds of confidentiality.

The University will again, and periodically thereafter, communicate to staff members information about the University's non-discrimination because of sex policy, with special reference and emphasis given to the availability of University complaint procedures. These communications will stress that there will be no adverse reflection of a complainant's status as a staff member for utilizing a complaint procedure. To the extent that individual complaints may be filed under the procedure, there should be the basic right to discovery available to complaining parties. A description of the University's present complaint procedures is appended hereto. These procedures will be reviewed periodically in order to improve their effectiveness.

8. Special attention will be given to the inclusion of females on University committees. Where these committees are appointed by faculty, or other groups,

as distinguished from University administrative appointments, these groups will be informed of the advisability of including females on committees.

9. The recently established Commission on Women will function within the purview of the Human Relations Advisory Council, as soon as the latter is reconstituted. This Commission will not deal with individual compliants, which should be processed through one of the University complaint procedures or the Michigan Civil Rights Commission. A copy of the charge to the Commission on Women and related documents are appended.

The following attachment pertains to Item 1, statement entitled:

"The Computer Sort Technique"

NOTE.—A computer was used to do the initial screening in order to identify possible inequities. This screening is now almost complete, and the process by which said possible inequities will be reviewed and resolved is currently being developed in consultation with the University's Commission on Women.

Multiple Classification Analysis of U-M personnel data was used to determine what factors are most important in setting income. Average male incomes were computed for each possible combination of employee characteristics, then female income for individuals with identical characteristics was computed. This technique assures a more careful winnowing of the file and helps in the evaluation process needed for examining individual files. The technique can handle information presented in rough classification and predictors that intercorrelate.

The following attachments pertain to Item 2a.:

(i) Memorandum from R. W. Fleming dated January 29, 1971, and attachment thereto

THE UNIVERSITY OF MICHIGAN,
OFFICE OF THE PRESIDENT,
Ann Arbor, January 29, 1971.

MEMORANDUM

To: Deans, Directors, Department Heads and Supervisors
From: From: R. W. Fleming
Subject: Appointment of Relatives; Procedures to Assure Equal Opportunity and to Avoid the Possibility of Favoritism (Nepotism)

The attached policy regarding the appointment of relatives has been revised and approved as the official University policy governing all staff members of the University.

Please review your present staffing and in those instances where individuals have been appointed to a department or unit under the direct supervision of a relative or where relatives work for the same immediate supervisor please initiate the appropriate action for approval (if not previously approved) as indicated in the attached statement.

If you have any further questions regarding this policy please contact Russell W. Reister, Personnel Director, Personnel Office, or Charles M. Allmand, Assistant to the Vice-President for Academic Affairs.

THE UNIVERSITY OF MICHIGAN

Subject: Appointment of Relatives; Procedures to Assure Equal Opportunity and to Avoid the Possibility of Favoritism (Nepotism)
Applies to: All Staff of the University

I. POLICY

In accordance with general University policy, the basic criteria for appointment and promotion of all University staff shall be appropriate qualifications and performance. Relationship by family or marriage shall constitute neither an advantage nor a deterrent to appointment by the University provided the individual meets and fulfills the appropriate University appointment standards.

No individual shall be assigned to a department or unit under the supervision of a relative who has or may have a direct effect on the individual's progress or performance, nor shall relatives work for the same immediate supervisor, without the prior written approval of the administrative head of the organizational unit (Dean, Director, etc.) and the Office of the Vice-President for Academic Affairs or the Personnel Office as appropriate.

In any event, in accordance with general University policy, there shall be no discrimination based upon sex in appointment, promotion, wages, hours or other conditions of employment.

II. REFERENCE

Supersedes "Employment of Relatives" policy and procedure guide dated 6/1/70.

II . DEFINITIONS

(*a*) Relative: For the purpose of this policy, relative is defined as the husband or wife of a staff member as well as the son, daughter, mother, father, brother, or sister of the staff member or spouse. This definition is not to be construed to exclude the possibility of questions of nepotism in the case of other family relationships.

(*b*) Nepotism: Appointment and/or promotion bestowed in consideration of family relationship and not of merit.

The following attachment pertains to Item 2b.:
No. 201.1 (Application for Employment),
No. 201.47 (Recruiting),
No. 201.61 (Transfer: Promotional, etc.)

NOTE.—These directives currently prohibit sex discrimination in recruiting, transfer, promotion, etc. They will soon be revised explicitly to rule out segregation of male and female applicants and employees.

STANDARD PRACTICE GUIDE, THE UNIVERSITY OF MICHIGAN

Section: Personnel
Subject: Application for Employment
Applies to: Office, technical, professional/administrative and service/maintenance staff members

I. POLICY

Persons seeking employment at the University will be interviewed in the Personnel Office whenever possible. In any case, candidates will be requested to complete a standard University Application for Employment, form #8582.

II. REGULATIONS

A. Applications for Employment will not be discussed with an applicant's present employer until the applicant's permission has been received.

III. PROCEDURE

Responsibility.—Employment Section.

Action.—1. Evaluate qualifications of applicant.

2. Complete portion of application related to interview.

3. File applications of prospective employees by occupational family, according to the interviewer's evaluation of qualifications and applicant's preference.

4. Review applications against current openings periodically.

5. Purge or update applicant files, six months from date of application, depending on the University's need and/or the applicant's continued interest.

STANDARD PRACTICE GUIDE, THE UNIVERSITY OF MICHIGAN

Section: Personnel
Subject: Recruiting
Applied To: Office, technical, professional/administrative and service/maintenance staff members

I. POLICY

The University shall conduct a personnel recruitment program to insure the availability and selection of qualified persons for position openings in order to maintain adequate staffing levels. All recruiting activities will be coordinated and approved by the Personnel Office.

Recruiting will be done without regard to the non-relevant factors of race, color, creed, national origin, ancestry, sex, or age.

II. REGULATIONS AND DEFINITIONS

A. Recruiting is defined as planned activities designed to attract qualified individuals for employment.

B. No unit is permitted to commit a recruited applicant for employment to a position or to make a salary offer unless approved by the Employment Section of the Personnel Office.

C. Relocation expenses incurred by a new staff member may be provided by the hiring department, subject to moving expense regulations and the approval of the Employment Manager.

D. The Personnel Office shall be responsible for the scheduling of recruiting activities, placement of advertisements, conduct of recruiting trips (including the designation of appropriate University representatives) and coordination of interviews.

III. PROCEDURE

Responsibility.—Employing Department

Action.—1. Advise the Personnel Office of staffing needs.

STANDARD PRACTICE GUIDE, THE UNIVERSITY OF MICHIGAN

Section: Personnel
Subject: Transfer: Promotional, Lateral, and Demotional
Applies to: Office, technical, professional/administrative and non-bargained for service/maintenance staff members

I. POLICY

The University may reassign staff members by transferring them from one position to another in the same or another classification. Transfer will be made without regard to the non-relevant factors or race, creed, color, national origin, ancestry, age, or sex.

II. REGULATIONS AND DEFINITIONS

A. Promotion

A promotion is movement to a position in another classification at a greater level of responsibility.

1. A promotional transfer will normally be accompanied by an increase in compensation.
2. Vacancies will not normally be filled from outside the University until a reasonable effort has been made to consider qualified University staff members.
3. The transfer date normally should not be later than two (2) weeks from the date of acceptance by a staff member.
4. A promotion may be initiated by the University or as the result of consideration of a request by a staff member.

B. Lateral

A lateral transfer is movement to a position in the same classification or to a position in another classification at a similar level of responsibility.

1. A lateral transfer may be initiated by the University or as the result of a request by a staff member.
2. An increase in salary will not normally accompany a lateral transfer.
3. The transfer date normally should not be later than two (2) weeks from the date of acceptance by the employing unit.

The following attachments pertain to Items 2c, 3 and 4:

(*i*) Comments on goals and timetables.

AFFIRMATIVE ACTION PROGRAM FOR WOMEN, COMMENTS ON STAFFING GOALS AND TIMETABLES

The University is firmly committed to the principle that there shall be no formal or informal discrimination based on sex and that affirmative actions will be taken to insure that recruitment, placement, training, upgrading and promotion activities will be administered without regard to sex.

Pursuant to this commitment, the University has established specific goals and timetables relating to the appointment of women to the various classifications within the operating units of the University. The three-year goals for the total University are attached. In addition, because of the particular concern with affirmative action in the academic instructional staff, specific goals and timetables for each school and college have been established as indicated in the attached documents.

These goals are established with recognition of the facts (1) that for most of the schools and colleges there will be no increase in instructional positions for the next three years, and (2) that open positions in such cases will be limited to turnover in current staff (resignation, retirement, promotion, etc.). Moreover, the probable decline in the fiscal support for higher education in the future, the necessary action in minority recruitment and placement, the speed with which these data were collected all indicate that these goals and timetables are subject to periodic revision.

The staffing goals and timetables and any revisions thereto will be critically reviewed with the organizational units periodically by the University Commission on Women.

In the development of staffing goals and timetables each organizational unit considered (1) the current extent of female employment within the unit; (2) the qualified women currently employed in the unit whose training, experience and capabilities merit advancement; (3) the availability of qualified women, full or part time for employment in the positions; (4) the availability of qualified women, full or part time, whom current recruitment procedures may not normally identify.

Although the above factors can be enumerated as generally applicable, they produce differing results when applied to particular organizational units. At least three distinct occupational profiles exist, and each requires different corrective measures: (1) some occupational areas are clearly male dominated with few, if any, women either currently engaged in the occupation or being educated or trained to enter the occupation; (2) some occupational areas are presently male dominated but there are qualified women ready to enter the discipline/occupation and others being trained in varying numbers; and (3) some occupational areas have reverse characteristics, being female dominated with few, if any, males currently engaged in the occupation or being educated or trained to enter the occupation.

Units with the first profile generally indicate the need for the following corrective actions:

1. A special recruiting effort for encouraging undergraduate women students to enroll in the graduate program of the discipline/occupation.
2. A special recruiting effort to identify women graduate students currently enrolled for advanced degrees in the discipline/occupation at other higher education institutions.
3. Encourage qualified women graduate students to enter research fields and continue education for the Ph.D.
4. Special recruiting efforts to identify and employ a qualified woman to serve as a model and to counsel and encourage other females to enter the discipline/occupation.
5. Special recruiting and training effort to identify and train a highly motivated woman for the male dominated occupation to later serve as a model to other women.
6. Special recruiting effort to identify qualified women in the male dominated discipline/occupation and currently not in the labor force. Encourage reemployment on a full or part time basis to serve as a model and to counsel and encourage other women to enter the discipline/occupation.
7. Discussion and introduction of heterodox career patterns which would open career opportunities for women.

Units with the second profile generally indicated the need for these corrective actions:

1. Establish a unit task force on women charged with the responsibility to recommend affirmative actions for women within the unit on recruitment, placement, training, upgrading and promotion practices.
2. Review of established standards for appointments to determine the validity and correlation with performance.
3. Special review of the education, experience and performance qualifications of females to identify underutilization. Where identified recommend for promotion to a more responsible classification/rank either within the unit or outside the unit.

Units with the third profile generally indicated need for corrective action similar to those outlined for women in the first profile.

The University supports the views stated in the recent report prepared by women from the University of Chicago and presented before a special Subcommittee of the Committee on Education and Labor of the House of Representatives.* ". . . We have concluded that the primary task is to insure that we recruit, then encourage, talented and dedicated women as well as men students and faculty and to insure that the University is making the most of its opportunities in regard to both the talent pool from which it draws and the talent pool to which it contributes. In short, we should be making every effort to insure the full participation and the contributions of women in pursuing the overall goal of the University for academic preeminence."

The following attachment pertains to Item 7:
Standard Practice Guide No. 201.8 (Complaint Procedure).

Standard Practice Guide, The University of Michigan

Section: Personnel
Subject: Complaint Procedure
Applies to: All professional, administrative, office and technical staff members

I. POLICY

Any staff member has the right to present any matter of personal concern or dissatisfaction regarding his employment to the University and have it considered on it merits. Presentation of a complaint or grievance will not cause any reflection on his standing as a staff member. All complaints will be investigated. Written complaints will be answered in writing. Time standards are established to encouage presentation of current requests and complaints and to assure reasonably prompt answers while providing time for thorough discussion and investigation and deliberation at each step. A staff member may obtain advice and assistance from the Employee Relations Section of the Personnel Office in processing any complaint.

II. REGULATIONS AND DEFINITIONS

A. Time Standards

Time standards for hearings and answers should only be adjusted if the University representative responsible for the discussion or the answer is absent from his office or if the staff member is unable to meet within the established time period.

B. Modification

A. Time Standards

Steps 1, 2, and 3 for the settlement of complaints may be modified where the origin of the complaint, the operational unit or the content and scope of the complaint make discussion with other University representatives or reducing the number of steps appropriate.

C. No Loss of Time or Pay

A staff member (and a staff member he selects to assist him, if any) may make his oral presentation, write his complaint and attend the complaint hearing during working hours without loss of time or pay.

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*Hearings before the Special Subcommittee on Education of the Committee on Education and Labor, House of Representatives, Ninety-First Congress, Second Session on Section 805 of H.R. 16098, July 1 and 31, 1970.

D. Assistance in Hearings

A staff member may select any individual to assist him in the hearings at Step 2 and 3 except staff members who are included in a collective bargaining unit.

E. Discipline Complaints

Complaints regarding discharge or disciplinary layoff will be heard directly at Step 3.

F. Discrimination Complaints

When discrimination because of race, creed, color, national origin or age is charged, the University complaint Review Committee will include a representative designated by the Commission on Minority Groups. When discrimination because of sex is charged, the University Complaint Review Committee will include a representative designated by the Commission on Women.

G. University Complaint Review Committee

The University Complaint Review Committee will consist of: (1) the University Personnel Director, or the Assistant to the Vice-President for Academic Affairs, or their designated representatives, as Chairman: (2) the head of the operating unit in which the complaining staff member is employed, or his representative and other staff members who may be designated.

III. PROCEDURE

Responsibility	*Action*
Staff Member (Step I)	1. Discuss complaint with immediate supervisor.
Supervisor	2. Reply orally to staff member within three (3) calendar days.
Staff Member (Step 2)	3. If not satsified with oral answer, or none received within three (3) calendar days, may appeal to Department Head. (*a*) If written answer to complaint not wanted: (1) Request an appointment with Department Head (or equivalent) (2) Make oral appeal to Department Head (*b*) If written answer to complaint is wanted: (1) Complete form 9707, Complaint (2) Present form 9707 to Department Head (or equivalent level of supervisor) or his designated representative.
Department Head	4. If oral appeal: (*a*) Schedule appointment within seven (7) calendar days of appointment. (*b*) Reply orally within seven (7) calendar days of appointment. 5. If written appeal: (*a*) Notify Personnel Representative and send a copy of complaint. (*b*) Schedule hearing and hear complaint within seven (7) calendar days of receipt of written complaint. (*c*) Provide staff member with a written response to his complaint within seven (7) calendar days of the hearing.

Staff Member (Step 3)	6. If not satisfied with answer, or receive no answer within seven (7) calendar days, may appeal to the University Complaint Review Committee or head of operating unit within fourteen (14) calendar days after receipt of Step 2 answer. (*a*) If written answer to complaint not wanted: (1) Request an appointment with head of operating unit. (2) Make oral appeal to head of operating unit. (*b*.) If written answer to complaint wanted: (1) Present form 9707 (include Step 2 answer) to University Complaint Review Committee.
Head of Operating Unit	7. If oral appeal: (*a*.) Schedule appointment within fourteen (14) calendar days of request. (*b*.) Reply orally.
Chairman—University Complaint Review Committee	8. If written appeal: (*a*.) Schedule hearing within fourteen (14) calendar days of receiving written complaint. (*b*.) In cases where discrimination is charged, request the Committee on Minority Groups or the Commission on Women to appoint an additional member of the Commission. (*c*.) Answer complaint in writing.

The following attachment pertains to Item 8; memorandum from A. F. Smith dated March 4, 1971.

NOTE.—This memorandum is in the process of being distributed.

It is expected that the University complaint procedures (discussed in Item 7) will be improved by increasing female representation on appeal committees, as requested in this memorandum.

THE UNIVERSITY OF MICHIGAN,
Ann Arbor, March 4, 1971.

MEMORANDUM

To: Deans, Directors and Department Heads.
From: Allan F. Smith.
Subject: Affirmative Action Program for Women—Committee Appointments.

In accordance with general University policy that there shall be no formal or informal discrimination based on sex, and in response to commitments made by the University to the Federal Government, it is necessary to review and maintain nondiscrimination in the selection procedures for the various standing and ad hoc committees throughout the University.

The participation of women on University committees was indicated as an area of concern by the Office for Civil Rights, U.S. Department of Health, Education and Welfare, in the following statement:

"At The University of Michigan, screening committees, faculty committees and ad hoc committees which are assigned the responsibility for selection of applicants are almost uniformly made up of all men. This may be another factor which has had an effect on maintaining the sex composition of the faculty positions."

In connection with this aspect of the Affirmative Action Program for Women, please review the composition of the various committees within your jurisdiction (e.g., appointment and promotion committees, appeal committees, etc.) giving special attention to the appropriate inclusion of women. To help implement the employment goals recently set forth by the University, particular care should be exercised to include women on search committees.

If you have any questions regarding representation of women on committees or wish aid in finding appropriate committee appointees, please contact Dr. Barbara Newell; Assistant to the President and Chairman of the Commission on Women, Extension 763-2203.

The following attachments pertain to Item 9:

(*i*) Sample or charge to Commission members.
(*ii*) Commission memorandum to "All Media".

THE UNIVERSITY OF MICHIGAN
OFFICE OF THE PRESIDENT
Ann Arbor, January 4, 1971.

COMPENSATION PLANS AND PERSONNEL INFORMATION SYSTEMS,
Personnel Department, Administration Building:

The University of Michigan is committed by its Regental bylaws to assure nondiscrimination on the basis of sex. Recent federal legislation has required that we not only guarantee no discrimination but that affirmative action be taken to assure equality of employment opportunity.

To assist in this affirmative action I am establishing a Commission on Women which is charged to:

1. Review the affirmative action program of The University of Michigan with respect to women and make recommendations in connection therewith.
2. Inquire into University policies, procedures, and practices which may contribute to discrimination against women.
3. Work with the various personnel offices at The University of Michigan to:
   (*a*) Identify and eliminate practices which are shown to discriminate against women in employment.
   (*b*) Encourage the development of recruiting practices which will open up job opportunities to women.
   (*c*) Educate employing units as to the availability and suitability of women.
   (*d*) Inform members of the University community as to their rights and as to the appropriate grievance procedures.
4. Work with the various academic departments in recruitment, employment and promotion practices which will result in equal treatment of men and women.

The Commission will report through Vice-President Fauri until such time as the Human Relations Advisory Council is reconstituted.

This letter is to request that you serve as a member of this Commission for a one-year term. I have asked my assistant, Dr. Barbara W. Newell, to chair the Commission. Since speed is of the essence, I have asked that she contact you by phone to see if you are available.

The terms of all members have been set at one year with the thought that the Commission will wish to review its composition, accomplishments and methods of appointment and make recommendations to the President for the future.

May I express in advance my appreciation for your efforts on behalf of the University.

Sincerely,

R. W. FLEMING.

THE UNIVERSITY OF MICHIGAN, COMMISSION ON WOMEN

To: All Media
From: The University of Michigan Commission on Women
Re: Hearing comments and concerns from the public

The University of Michigan Commission on Women encourages the University community to attend its weekly meetings. The Commission will meet in Room 3540, Student Activities Building, from 3-5 p.m. on Fridays. The agenda provides time at the end of each meeting (4:30) to hear the comments and concerns that pertain to the problems of women in the University community.

Written communications, signed or unsigned, are also welcomed. Address all communications to the Commission on Women, c/o Barabara Newell, 2064 Administration Building (763-2203).

Mrs. **Green**. Is it the wish of the committee to turn back to the student assistance part?

Mr. **Brademas**. One question. I wonder if either Mr. Marland or Mr. Muirhead could just give us a general comment on this question: Did you consult with the various spokesmen in the higher education community, either their associations or the student aid officials, as you put your program together, and if so, are they happy with it? Are they distressed about it? Or would you prefer to let them speak for themselves?

Dr. **Marland**. Mr. Brademas, Madam Chairman, we have indeed engaged the counsel of the higher education community, not only as individuals drawn heavily into the discussion surrounding this proposed legislation, but the association and all of the associations of higher education that we can relate with here in Washington and elsewhere, in constructing this bill.

I would add that the bill has been tempered and modified and refined through the influence of our counsel from higher education. There are regular meetings held in the Office of the Deputy Commissioner for Higher Education at least monthly, with representatives of the higher education associations and they have watched this bill emerge over a year or more.

Dr. Muirhead has been a close partner incommunicating this bill to them and developing the refinements with HEW and his own staff as a result.

I would add that their feeling toward this bill is one generally of support. We questioned the involvement of admissions officers or student loan officers. The answer is affirmative. They are engaged in this. They have helped us to sharpen it.

As to the general temper of the higher education community toward this bill, there is endorsement of it.

Mr. **Brademas**. So we are not wasting each other's time—I am not talking about the bill—I have particularly in mind your proposal with respect to your National Student Loan Association.

Dr. **Marland**. Yes. They have been a party to the development of this model as a system for increasing the output per dollar of our budget. They are aware of this. They are reassured and partly because of their counsel, as you heard Mr. Muirhead say this morning, we have budgeted sums at $150 million at one level and $150 million at another.

They are in place to give the sense of assurance that should there be delay or misadventure to the development of the National Student Loan Association, there will be a fallback position if necessary, for a time. This was done with the encouragement of the higher education community, in part.

I don't want to leave the impression that the higher education community is satisfied with all parts of this year's legislative effort in the direction of higher education. They would, as we would, like to see more direct institutional aid. We hope that that time may not be too far off.

Mr. **Steiger**. Do you want to go back to the charts and the graphs, or can I ask about 504?

Mrs. **Green**. In a consultation with the ranking Republican on the subcommittee, we thought we would go back to where we were this morning.

We will continue with Dr. Muirhead.

Dr. MARLAND. I might advise that he does have an obligation, Madam Chairman, to meet with our regional commissioners on the west coast in San Francisco this evening and he has to leave here about 4 o'clock, at which time I will take over the presentation, if necessary, at the charts.

Dr. MUIRHEAD. We had reached the point in our discussion this morning where we were discussing an additional number of students that might receive aid under this program, and as I indicated, a million additional students would receive aid; many of them, in fact, a large majority of them, would be students who are now in college but who are not receiving aid.

Mrs. GREEN. Could I interrupt?

When you say "1 million who are now in college and who are not receiving aid," do you mean 1 million are not receiving aid from the Office of Education, or do you have reasonable assurance and documentation that they are not receiving aid from the GI bill or from the social security? And secondly, of the million, how many of them are graduate students?

Mr. MUIRHEAD. Let me pick up the first part of your question first.

Undoubtedly, some of these students are now receiving aid from other sources, perhaps institutional aid, and undoubtedly some of them are perhaps receiving help from their families, when their families can ill afford to provide that help.

With regard to GI benefits or social security benefits, we are not talking about that group, because the students we are proposing to assist will discount, if you will, social security benefits.

Mrs. GREEN. You are saying that you are positive none of the million are getting GI benefits or social security benefits; is that right?

Dr. MUIRHEAD. I am watching very carefully how I reply to you. I don't want to appear to be positive. But I am saying that in the projections that we have made for the support of the 2½ million students from families under $10,000, that we have taken into account those who are getting GI benefits and those who are getting social security benefits, and that this is the net result.

Mr. STEIGER. Madam Chairman, if I may, it is correct to say that none of them receive Office of Education assistance at the present time?

Dr. MUIRHEAD. Yes. The answer to that is quite straightforward. We are only providing assistance now to 1.6 million students who would be eligible for support under our plan. Our plan would say that all students coming from families earning $10,000 and less would be eligible for varying levels of support.

We apply that test to the students who are now getting assistance and there are only 1.6 million receiving assistance. Our proposal would provide that assistance to 2.5 million and would not include those who are getting social security benefits if the cost of education was less than the social security benefits.

We would clearly say that a person getting social security benefits could receive additional assistance up to the maximum level of support that is available to all others.

Dr. MARLAND. As determined by his student loan officer as a part of income.

Dr. MUIRHEAD. Yes; and we will come to the determination of family income in a moment.

At the bottom of the chart is another indication of loans that would be available to students who did not qualify under the financial means test. As you know, of course, we have a guaranteed loan program now. At the present time about 25,000 students are getting loans under the guaranteed loan program without a subsidy. In other words, they do not meet the financial means test.

We are maintaining that with the establishment of the NSLA, and through that the availability of additional credit, that a number of students that could receive loans with a Federal guarantee for a long period of time and up to $2,500 would increase to 1 million.

The next chart indicates to us how this program would affect different families earning different amounts of money. Too often, I think, we may have left the impression that this program benefits only those young people coming from very low income families, whereas in actual fact, the program does provide assistance through a very wide range of family income.

I have here as an example a family earning $3,500 family income, with two children, who would quite obviously receive the maximum basic assistance of $1,000 in grants and $400 in subsidized loans. As we go through each of these, I hope you will bear in mind that we would also make available up to $1,500 for these students if the cost of education were in excess of $1,400.

Mrs. GREEN. How do you arrive at the $3,500 family income?

Dr. MUIRHEAD. The $3,500 family income for those cases which are uncomplicated, a straight forward family income situation, represents family income per se, without having deducted anything for dependency allotment or for any deductions that the family has.

This would be the total income of the family, that is reported on the income tax form before you take any deductions.

Mrs. GREEN. What about all the families at $3,500 or $3,000 that never have an income tax statement?

Dr. MUIRHEAD. Well, our forms would have to take account of some way in which they could record that amount of family income.

Mrs. GREEN. You don't have to report food stamps and many other benefits under the income tax.

Dr. MUIRHEAD. No.

Mrs. GREEN. How do you get the $3,500?

Dr. MUIRHEAD. Let us just move to that point now. I report that this is an uncomplicated situation in this particular example. We are maintaining that the family income per se will be a responsibility of the student financial aid officer to compute and that he will have before him, in the vast majority of cases, an income tax report or information from that. The form that the young person will make out will indicate other forms of financial income, whether they are listed on the income tax blank or not, such as welfare payments and social security benefits. It will then be the function of the student financial aid officer to determine what the true family income of that particular student's family is. And it is then and only then that the actual amount of family contribution be determined.

Mr. DELLENBACK. Dr. Muirhead, after saying welfare and social security, you said "and such items." Can you give us what else would be included in that? Would it include veterans' benefits, for example?

What if there were a student in the family who had been a veteran and he was getting so much a month?

Dr. MUIRHEAD. That would be included. I would be very pleased—and we have anticipated this dialog with the committee—to submit for the record a detailed statement as to how student financial aid officers would behave in determining what family income is. (Inserted previously in record under hearing of March 2.)

I would say, not necessarily parenthetically, that this is a well-worn path for student financial aid officers. They have been doing this for many years. We would not be asking them to carry on any new exercise.

Mrs. GREEN. Has this been a part of the guidelines and regulations from the office to the student financial aid officers?

I have asked some student financial aid officers if they have ever included the food stamp equivalent, housing subsidy, et cetera. I have never yet had a student financial aid officer say "yes."

Dr. MUIRHEAD. Again, I must reply to you that the student financial aid officers have received from us rather detailed guidelines, and I will be pleased to see that they are available to the committee.

Mrs. GREEN. Have those guidelines included the items that I mentioned?

Dr. MUIRHEAD. I don't think those guidelines have included such items as you have mentioned, such as food stamps.

Mrs. GREEN. Housing subsidies?

Dr. MUIRHEAD. And housing subsidies. They have not included that. But they have included those clearly defined sources of revenue which families of a low-income level receive, such as welfare payments, such as social security benefits, such as GI bill payments.

Mr. PUCINSKI. What percentage, or how many young students do you feel will be unable to benefit under the guaranteed loan program or any of these programs, assuming your package were to be accepted in its present form?

Dr. MARLAND. I would respond that it is our intent, Mr. Pucinski, that no young person be eliminated from access to higher education if he is qualified and interested.

Mr. PUCINSKI. If that is the case, why are we going through all of this foolishness? Why are we going through all of these forms and all of these questionnaires and all of this soul searching and everything else?

It is a guaranteed loan. We presume this youngster is going to pay this back. What is the difference if his family has food stamps or the father makes $15,000 or $20,000 a year?

I could appreciate this order of priorities if we said we have *x* amount of money for *x* amount of loans and we have *x* amount of applicants and we are going to have to deny 1 million kids in this country this kind of assistance; ergo, we have to set up some sort of a standard of priorities. I might be able to understand that.

But if indeed we are developing a system here where every youngster attending an institution of high learning who seeks help will find some way of getting that help within the structure you presented here, what difference does it make what his family income is?

It is a loan, a guaranteed loan. He is going to pay it back, we presume, and if he is willing to pay the interest, and he is willing to pay that loan back, what is the difference? I don't understand why we spend thousands upon thousands of dollars going through this foolishness and these long forms, the indignity of a parent filling out these forms. They ask you more on those forms than Internal Revenue does.

If we intend to give every youngster an opportunity at a loan, then it seems to me the simple statement of the family income would be sufficient. What is the difference how much it is?

Dr. MARLAND. May I respond to that?

Mr. PUCINSKI. I am just trying to plead a case to drop all that.

Mr. DELLENBACK. Leaving the details to the Commissioner and Dr. Muirhead, we have at least three different kinds of aid. We are talking about grant aid; we are talking about subsidized interest loans; and we are talking about guaranteed loans in the third instance.

Now it is a package of all of these that we are trying to make available and it becomes very relevant, who it is that gets it, and this is part of the package as to who gets it.

Mr. PUCINSKI. Why don't you have a simple statement of family income? When you go through these forms—and counsel advises me that he had made inquiry and they told him that they have to have an answer to every one of these questions, and Mr. Commissioner, I challenge that statement.

Why do they need all this? I cannot understand it. I would think we ought to have a simple statement, "This is the total income of this family," and it either comes within 1, 2, or 3 categories. I don't know of anything in this country that has the people of America more incensed—the parents—than when their son or daughter comes home with this kind of inquisition of the family's income.

Mrs. GREEN. It is my contention that it is the middle-income, family that has fewer dollars. Their children cannot get any assistance while the neediest people who pay no income taxes get all of these other benefits because of the guidelines and because of our system. There are so many inequities.

Mr. PUCINSKI. That man who makes $7,500 a year and is trying to put his kid through college, put him up against a person who is on public assistance in Illinois, with a four-member family, by the time he gets through paying 40 percent tax and everything else, this man is really often in a much more difficult position, but the point I make is because we structure these programs the way we do, we go through this fantastic inquisition of a citizen. To me this is repugnant.

Dr. MARLAND. Mr. Pucinski, I for one would agree with you very quickly that if the Office of Education can administer its affairs and fulfill the terms of the laws which you prescribe for us to manage, the simpler way, the better. I would hold that the document which you refer to as a complex and possibly just an impossibly unnecessary document, and possibly invasion of privacy is not necessarily of our own making. It is substantially the document which has been used by universities for many, many years in terms of determining their own institutional arrangements for student support.

If, in the wisdom of our own staff and this committee, we can find a simpler way to accomplish this, I for one would welcome such a solution.

Mr. **Pucinski**. Discussing these great citadels of liberalism, they are most intolerant of the other man's privacy. It is all right to come up with the big questionnaires, but I wonder how many of these people who drew these things up want to submit to that. They would be the first ones to howl before this committee that it is invasion of their constitutional rights.

Mrs. **Green**. I would like to add, the Secretary the other day said the institutions of higher education were the most inefficient institutions in the country and today you have suggested that we are not going to get institutional grants because they don't want to freeze in all the things that are wrong.

Dr. **Marland**. That is why I said I would be happy to negotiate a change if I have any influence.

I would like to add a response to Mr. Pucinski where he questions whether we should go into this exercise at all if indeed we are aiming for assistance to all children of all people. I think that as the charts progress you will realize that this is a graduated affair.

As Mr. Dellenback has pointed out, there are three phases to carrying out the intent that I hope Congress will put upon us and if so, we do need to have some kind of a scale that apportions these moneys judiciously and equitably where the need is greatest and the simplest way we can find that out, the better.

I think you will find the case will be made by Mr. Muirhead that we need to find some measure for apportioning the Federal Treasury.

Dr. **Muirhead**. I have here what I think is a good illustration of how this program would be able to support students attending various types of institutions. As I have said several times, the basic level of support that would be provided under this program would be $1,400, consisting of a combination of grant, subsidized loan, and family contribution.

And if a student from a very low income family did take advantage of the thousand-dollar grant and the $400 basic NDEA loan, his total costs for attending higher education would be met at many public institutions and at almost all public junior colleges.

By the same token, we have, as you know, amended the law this year to provide some freedom of choice to students in opting for the institutions they would select. I have here indicated a public institution, a 4-year college whose total costs are $2,000.

And this is to illustrate that that $2,000 cost could be met by a student again coming from a very low income family with a thousand-dollar grant and with a $400 basic NDEA loan. He could supplement that either with summer earnings as he saw fit or with $300 from the cost-of-education loan.

In other words, the program that we are presenting to you is flexible enough to open up a variety of educational opportunities to young people from low-income families.

Finally, in support of opening up this program to private institutions, we have purposely selected a private institution with a cost on the high side, higher than the average for private institutions, and have tried to indicate how this program could make it possible for a student from a low-income family to attend such an institution.

As the chart shows, the total cost to the student is $3,200. He could package his program by a grant work-study of $1,000, the basic NDEA loan which we explained before, his own summer earnings, and then would have available to him up to an additional $1,500 through the cost of education loan under NDEA terms.

The basic purpose of this chart, Madam Chairman and members of the committee, is to show that the program is flexible enough to permit a student to seek the education that suits his particular interests and abilities, and that it does indicate to him that if he does opt to exercise his freedom of choice to go to a high cost institution, then he can do so, but he has to borrow the money to do so.

Mrs. **Green**. When you speak of flexibility, it is my understanding that the Office of Education published the EOG guidelines in February of this year, which require that EOG money goes first to students that have annual adjusted gross family income of less than $3,000 per family. Is that correct?

Dr. **Muirhead**. That is correct.

Mrs. **Green**. And there is no definition of "adjusted gross income?"

Dr. **Muirhead**. I would be quick to point out that the income level that we are speaking about there is the income level that has been determined by the student financial aid officer.

Mrs. **Green**. You do require that it go first to those people?

Dr. **Muirhead**. Yes.

Mrs. **Green**. Then let me give you a hypothetical case.

Suppose a student aid officer has $1,000 only in EOG money and he has four student applicants in the $3,000 to $6,000 income group, each of whom is $250 short of being able to stay in college.

You recall the Congress clearly stated that the purpose of EOG was to make it possible for students to go to college who otherwise might not go. He has four students in the $3,000 to $6,000 income group, each of whom needs the $250 to stay in school. He has one other student in zero to $3,000 group who needs $1,000 to stay in school.

The guidelines in the Office of Education as issued, as I understand allow no flexibility and would compel the student financial aid officer to give the thousand dollars to the student with the family income of less than $3,000. Is that correct?

Dr. **Muirhead**. May I call upon the director of the student financial aid program, who is with us, Mr. Nelson, to answer that question with more precision than I would be able to?

Mr. **Nelson**. There has been considerable confusion and concern about this allocation process and I think perhaps I can clarify it.

First, no change has been made in the method of allocating funds to individual States. That remains the same. The new method is designed to target a percentage of Federal student funds to institutions where the need is the greatest. It does provide each college within a State with a guaranteed minimum funding percentage.

But this is not a limitation on funds that are given to students as such. It is a method of allocating funds to the institutions. Once these funds are allocated in that way, the student aid officer has the same discretion he has always had in the past to determine how to distribute funds to individuals.

Mrs. **Green**. Then if that February 4, 1971, guideline did not mean anything, why did you issue it?

Mr. Nelson. It does mean that we want to target the funds to institutions, especially those that perhaps had not been recognized in the past. We wanted to concentrate more of the funds to institutions. They in turn will distribute funds to students as they always have.

If you would like, I could try to give you some more detail of how this process would work.

Mrs. Green. Let me ask Mr. Hogan to phrase a question.

Mr. Hogan. If I understand you, Mr. Nelson, then the institution of higher education would qualify for the thousand dollars in this example because it had one student who was in the income bracket, family income bracket, of zero to $3,000 dollars, but that once the institution got the thousand dollars, the student aid officer was still unrestrained and had discretion about whom he gave it to, so that although he represented to the Office of Education that he was entitled to $1,000 because of his one student, once he got the thousand, he could give it to the other four. Is that what you mean?

Mr. Nelson. We are saying that the same procedures exist, essentially, as you suggested, Mr. Hogan, that institutions have employed before, under existing guidelines.

Mr. Steiger. You are not tying this thousand-dollar grant work-study to what you are doing under the guidelines issued in February.

Mr. Nelson. That is correct.

Dr. Muirhead. Let me clarify that.

The question that Madam Chairman has raised is concerning the manner in which we are allocating the college work-study funds that are now available for use in the upcoming college year in the 1971 budget. And she has referred quite properly to the direction that the colleges and universities were asked to be following in reporting to us the number of students they had from low-income families.

Dr. Marland. Whether or not they were receiving funds under the EOG or grants program, they have to qualify to have had that student present, in which we do insist upon them to qualify. They may be providing funds for many out of their own resources. There may be other sources of funds they could provide. He has to be there for them to qualify.

Dr. Muirhead. When that information has been gathered, Madam Chairman, then the allocation is then made to the institution on the basis of the high incidence of low-income students they have. Then the decision rests with the student financial aid officer as to how that money will be disbursed to eligible students.

Mr. Steiger. Two questions. One, how does the institution go about determining the incidence of low-income students; and two, to reiterate again, where is your explanation of the factors that make up the determination of gross income in determining eligibility?

Mr. Nelson. We have always asked institutions of course to complete applications for Federal funds. These funds then have gone through a review process by regional panels and national panels to determine approved or recommended amounts.

This year we have asked these institutions in addition to giving us information about the amounts of funds needed to aid students on their campus, to give us an estimate of the income distribution of their college enrollment, so we in this case have asked them to use their best estimates of the income distribution.

We have assured institutions under these guidelines that they would receive 80 percent of the funds as they would have under previous allocation methods. First of all, the State allocation method holds, so it is a matter of distributing the funds within the State to institutions within the State, considering the panel approved amounts of funds and assuring of course that all renewal funds are approved, and then working with an amount that is a guaranteed base of 80 percent of initial EOG grants, as an example. If there is a remainder above that guaranteed base, this goes back into kind of a State pool, and then that pool of funds is redistributed first to the zero to $3,000 groups, to institutions across the State, and then from $3,000 to $6,000, until you run out of that statewide pool.

So it is just a method of allocating funds to institutions.

Mr. STEIGER. Mr. Nelson, I think I understand what you have said. I shall read the record carefully. What worries me is whether it is an imperfect way of doing it.

If I am institution A and I estimate that I have 15 percent of my population, whether I know for a fact or not, I can say that it is my best judgment. If institution B wants to get more money and it says it has 25 percent——

Mr. NELSON. Each of these requests has gone through several periods of review. They have been reviewed by the regional offices. They have been reviewed by regional panels of eight officers with regional office staff, and they have been reviewed here as well.

So there is considerable evidence that these recommendations or these applications are consistent with past requests and consistent with what is known about these institutions.

Dr. MARLAND. It might be useful to know that the panels are made up of competing institutional representatives, and they know what each other's complexion is like, and they are not apt to get away with much fraudulent behavior under those circumstances.

Mrs. GREEN. It seems to me this committee has had a tremendous amount of evidence that the distribution of NDEA funds has not been equitable for the very reason that Mr. Steiger cites, that one institution is absolutely honest and interprets guidelines as the law requires, both in letter and in spirit, and another institution has learned from past experience that if they inflate their request by 1 or 200 percent, they will come out better. If we do not have full funding, after the panels have all gotten through with their reviews, each institution is cut by the same percentage, and it would seem to me this kind of a thing would invite dishonesty.

Mr. NELSON. If I might respond, there is always a problem when there are insufficient funds to meet requests.

Mrs. GREEN. Has there ever been a time when that has not been the case?

Mr. NELSON. No. The requests have always exceeded the funds available.

Mrs. GREEN. Then let us speak to that basis.

Mr. NELSON. This year we have 250 new institutions that have requested funds, as an example, and yet the funds have not increased all that much. As other institutions have asked or have identified student need where they might not have in the past, or where they have been successful in recruiting low-income students, or their costs have gone up, all this resulted in increased demand or application for funds. So this is an attempt to try to recognize those institutions with the greatest needs.

In no case, of course, will the amount awarded exceed what the panel has approved in the way of a request for those institutions after review of the regional panels and then here. But it is a matter of trying to target the funds to those that need them the most.

In terms of honesty, I do think we have at least this one check or several checks as we worked through regional staff. We have had program reviews out in some of the institutions, many of the institutions, through the years. And then we do have, as the Commissioner indicates, the practicing aid officers who are participating as the decisions are made.

Mrs. **Green**. If the gentleman does not have letters from student financial aid officers directed to this point, I could supply him with quite a few files of complaints from Oregon institutions who say there was no fair allocation within the State because of this factor, that one institution would greatly inflate their original request.

Mr. **Nelson**. I do understand the problem, Madam Chairman. I did a study in Puerto Rico this past year, and we identified that all of the institutions needed far more funds than they had to meet the needs of their students. If any one of those institutions really asked for what it could justify, it does throw the balance out considerably.

But in no case would any of these institutions be falsifying the data or really asking for more than they were entitled to if they asked for the full amount. But when one does ask for more or another new instituion comes in and asks for additional money, this means some instituions are going to lose.

Mr. **Dellenback**. Just to be sure we have this in the proper context, you have here been describing that which is existent at the present time as contrasted potentially with that which you are proposing would be accomplished under the legislation?

Mr. **Nelson**. That is correct, and I think that has been a part of the confusion, Congressman Dellenback. But many of the aid officers that have been writing have confused the legislation with this method of allocating funds to institutions under the current procedure.

Dr. **Muirhead**. I think you have pointed out what are clearly inequities in the present program, inequities that have resulted in having 2½ million students who are coming from families of less than $10,000 and only 1.6 million of them getting assistance. That comes from, in part, the inequities of the present program, from the inequities of the present method of allocating, alloting the programs to States.

The program that is before you would make it possible to deal evenhandedly with students in every college and university and that no matter what request they made, the student who comes from a family income level prescribed by this program would have a basic level of support which he cannot now count on.

He would also have available to him a cost-of-education allowance to take him to a college of a higher cost, so it would seem to me one of the strong compelling points about the need to revise our student aid programs is to get over these inequities that you have identified and that you have heard about, to see to it that no matter where a young person goes to school he has insurance that this is a level of support that he can count on.

Mrs. **Green**. If you did not have to go to San Francisco, I would question that assurance. It will still depend upon the funding.

Dr. **Muirhead**. I shall be looking forward to seeing you in Chicago on Monday, Madam Chairman.

Mrs. **Green**. We will continue the discussion at that time. Thank you, Dr. Muirhead. Thank you for being here and thank you for adjusting your schedule today and accommodating the committee.

Dr. **Marland**. We will proceed with this chart presentation.

Do the members wish to pursue this particular chart?

Mrs. **Green**. Could I ask one question? Does the Office of Education know how many students today get food stamps or are on welfare?

Dr. **Marland**. I think we would know the welfare figure, based upon the examination of the students by the admissions office.

Mrs. **Green**. Who have declared an independent status from their family to qualify for welfare or food stamps?

Dr. **Marland**. I think the records of the student loan officer would reveal that. I think we could get that figure for you.

Mrs. **Green**. Could you supply that for us at this point in the record?

(The information referred to follows:)

After a sample check of institutions of higher education, it has been determined that few schools have information concerning the extent to which enrolled students are participating in welfare or food stamp programs.

The Department of Agriculture has advised the Office of Education, however, that the new food stamp regulations which will be effective May 1, 1971 will preclude most college students from receiving food stamps.

Mrs. **Green**. I am told in California the largest number of students have declared themselves independent of their families in order to qualify for food stamps and welfare, which leads to the question: Will the administration proposal based strictly on family income, persuade many more students to make themselves eligible for aid by separating themselves from their families?

Dr. **Marland**. You are raising a very delicate and interesting and deeply philosophical point, I think, Madam Chairman. I am not sure we have pursued that potentiality as far as we would like to, and I think the evidence that emerges in the first year of this legislation should be examined very carefully.

I would reveal my bias by saying that would be an unfortunate outcome if this should occur. I think children need their families and families need their children through maturing college age.

Mrs. **Green**. But both the administration and Congress should examine the already available statistics on the number of students who have declared themselves independent to get welfare or food stamps, and perhaps make a judgment before we enact the law rather than afterwards.

And I would say it seems to me that the Pell bill over in the Senate even goes further in inviting a student to establish an independent family unit, becuase I would think if a student was eligible for $1,200 minus the tax that the family has paid, that most families of students would agree that they would be separate units.

They would rather have the student get the $1,200 aid than take a $600 tax deduction. But I would like to have that examined.

Dr. **Marland**. We will try to get that data for you, Madam Chairman.

(The information follows:)

We are unable to determine the exact number of students who would be likely to declare their emancipation from their parents under either the administration or Pell proposals. We would agree, however, that there do seem to be real incentives built into the Pell bill for doing so, both from the point of view of the student and from that of his parents. If the administration bill is passed, we intend to continue to make it as difficult as we now do for parents to absolve themselves of their responsibilities in this regard.

This describes the circumstances of the basic formula which I was attempting earlier to describe to Mr. Pucinski, where there is an assumption that the family's contribution, starting with the humblest family on up to the middle-income family, is sustained in a graduating scale by the various levels of income provided either in work-study and grants, subsidized loans, or an additional $1,500 loan. (Chart.)

You will note that the family contribution is viewed in our philosophy to be an essential factor, and that the family below $3,000 contributes zero dollars. As the income increases up to middle income, and would be down to the minimum of $200, with the family contributing $1,200 to reach the $1,400 base line which we feel is essential to anyone aspiring to college.

The additional $1,500 would be available to all, totaling $2,900 for all.

This shows how it would affect indeed those families we were talking about—$3,000 family up to and including the $12,000 family.

I feel we have not made, up until this time, a sufficiently sharp impact on the proposition that indeed we are not excluding the middle-class family. It is hard to say what "middle class" is perhaps, and if we would be dealing with national averages, we would find the median family income somewhare around $11,000 or $12,000.

I would say to include that middle income as well as we can, assuming a contribution from that family, that our program does take account of the needs of that middle-income family, obviously with not as much attention to their needs as would be the case in a very low income family.

But throughout this chart you will see that up to $8,000 even in the family with one child there would be an eligibility for aid. The family with two children, up to $10,000, would be eligible to be assisted.

These would be the contributions expected of that family [indicating], the balance being provided through subsidized loans or grants.

Even the $12,000 family with three children would be eligible and in this case, with four children or five children, obviously beyond that level. They would be expected to make a $1,400 contribution and the balance to be eligible for subsidized loans.

We have attempted here to show that a family even at the $12,000 level, or above the national median, would be assisted under this program in proportion to the resources we have.

Mr. **Steiger**. Turn this chart back before you go on.

Mrs. **Green**. I was just going to repeat a statement that Ed Sanders has made to us. We are wondering where you got this kind of a tabulation. He says it is a much harsher tabulation than is required either by the college entrance board or ACT, either one of them.

Dr. MARLAND. Would you describe the source, Mr. Cross?

Mr. NELSON. The Division of Student Financial Aid, Madam Chairman, has——

Mrs. GREEN. Within the Office of Education?

Mr. NELSON. Within the Office of Education, has published a book on determining awards for Federal aid programs. The last edition is 1968. These figures were derived from that publication. In fact, we estimate over 100 institutions still using the system described in that book.

Essentially, these tables determine the estimated amount of parent contributions.

It is true that ACT and the college board annually revise their expectations of need, and they are somewhat different than this. As I understand it, this table was used for the budget projections in the proposal of the administration's bill, but a final table, of course, would depend upon the appropriations, the number of students, and the best advice that the Secretary could get after consultation with the Advisory Council on Student Financial Aid.

Mrs. GREEN. If this is based on a 1968 formula, there has been no consideration of inflation, has there?

Mr. NELSON. That is correct. That particular table has been used, though, as I say, and is still being used, by a number of colleges to determine parent contribution.

Mrs. GREEN. But you would agree it is harsher than the college entrance board or ACT?

Mr. NELSON. That is correct.

Mr. STEIGER. When you speak of more harsh, isn't one of the concerns the ability now of the National Defense Education Loan to go to incomes of $12,000 and above; and under this proposal it is conceivable they will not be eligible even if they are now receiving loans?

Mr. NELSON. I am not sure I understand your question, Congressman Steiger, but actually it is harsh all the way along the line. It expects more of the low-income family and more of the middle-income family than do either ACT or CSS.

Mrs. GREEN. It does not expect more of the low income—it is based on all your money going to the neediest, but as soon as you get out of the neediest category it is really harsh in terms of what you expect from the middle-income family.

The guaranteed student loan program was designed exclusively for the middle-income family. This administration has changed it to make it for the neediest, not the middle income at all.

Your requirement for families here—I just suggest, Mr. Commissioner, that this is not going to be passed by one party alone unless we can reach some compromise.

Dr. MARLAND. We clearly are aware of your concern and the committee's concern and our own concern for the middle-income child. We feel we have to take what resources we have and spread them most equitably in terms of the American people.

We are saying here that the family at $12,000 is expected to make a substantial contribution. One may say this is harsh. This should not be viewed as final. This should be viewed as the latest data as of 1968.

At such time as the bill passes and the appropriation is made the updating of the data as to family expectations would then be formalized by the advisory council under the Secretary's ultimate responsibility to determine year by year what the family contributions shall be.

This is an illustration as of 1968, using again $1,400 as the baseline to be raised.

Mr. **Nelson**. Excuse me, Mr. Commissioner, Madam Chairman, if I might, just to clarify one point that I may have fuzzed up again, if you took the two-child family now where under this chart we would expect $110, the five-child family where we would expect $320— the ACT and CSS systems now would expect zero, so there is a difference. This chart indicates this table would be much more harsh on the low income than either of the existing systems.

At the same time, CSS and ACT would expect less of the middle-income family than this chart would indicate. But I did want to get across the point that this chart also expects more of the low income.

Mrs. **Green**. May I suggest one area to be investigated as far as compromise? That is that you raise the ceiling in terms of the family income on eligibility for all three and figure out how much that would cost if you did away with your $1,500 additional what you call cost of education for the neediest.

Dr. **Marland**. Raise the ceiling on eligibility for all?

Mrs. **Green**. EOG work study and the loans, and do away with that $1,500 cost of education so they can go to the most expensive colleges.

Mr. **Cross**. They are a function of the appropriation and the number of students that would be eligible and it is not in the legislation before you.

As the Commissioner and Mr. Nelson indicated, these are just tentative tables to give the subcommittee an idea of what we are talking about.

Mrs. **Green**. Counsel has rightfully said we are asked to buy a pig in a poke. You can raise them or you can lower them. You could go both ways.

Mr. **Cross**. At the same time, this advisory council for financial aid to students is by law to consult with the Secretary and Commissioner in making these determinations. It is certainly going to have a very powerful effect on what happens.

Mr. **Steiger**. Let me make one point, though, to supplement what the chairman has said.

There were in fiscal 1969, our counsel says, 39,000 students that received NDSL loans with adjusted gross incomes of over $12,000. Now that is a fair number of people who participated and are now participating at a relatively high-income level.

Under this proposal, it would be my best guess that you will have but a very few eligible to receive assistance.

Is that a fair representation?

Mr. **Nelson**. That is correct.

Dr. **Marland**. That is correct. The family income, the grants and work study—it would be unlikely loans would be available.

Mr. **Cross**. Our figures show about 700,000 students would be eligible for some sort of subsidized aid with family incomes above $10,000, according to the money that the fiscal year 1972 budget asks for and our own legislation that is before you.

Mr. **Steiger**. You are talking about the appropriation statement you have made before Mr. Flood's committee?

Mr. **Cross**. That is correct. In some cases, if there are four or five children in a family, that would include grants and work study. In the majority of cases, that is subsidized loans.

Dr. **Marland**. We would rather allow for a variable in determining what the family's obligations are, not only children but obligations to elderly parents, obligations to members of the family that might be ill. These considerations are brought into our determination of eligibility.

Mr. **Steiger**. One more question. You have a chart here that says you have 2.5 million that you are going to make eligible. Is that 700,000 above that?

Mr. **Cross**. Could we ask Mr. Kramer?

Mr. **Kramer**. These are students from families with more than one child in college, probably about 350,000 such families, something like 700,000 students. They would, many of them, be eligible for minimal equalizing loans but would be eligible for cost-of-education loans.

Mr. **Steiger**. Are you counting them in this chart back here?

Mr. **Kramer**. Yes, they should be in there.

Mrs. **Green**. I suggest that both the administration and the Congress work on a formula because I would say I don't think that is going to go anywhere, Mr. Commissioner.

Dr. **Marland**. We will be happy to meet with staff or members of this committee and attempt to improve what we have. At this stage it is a product of a great deal of internal work, a great deal of negotiation and planning with the higher education community itself. It has had some discussion with members of this staff and I would be eager to have more.

The basic thrust of this legislation, as I have said several times, is to reach the poor. And I think it will be our intent to endeavor to hold firmly to this position. If we can find a better formula with that goal clearly in mind, I would eagerly seek it.

Mrs. **Green**. Why is it in the national interest to have the neediest student go to the most expensive colleges at the taxpayers' expense?

Dr. **Marland**. It is not necessarily, and I expect it will be more the exception than the rule that a child from an extremely modest background would even be able to afford, even with these advantages, the most expensive colleges which today would be perhaps $4,500 or more. The $2,900 which he can aspire to would, say, under certain conditions he can get there if he has local aid from that institution, et cetera.

I think it is a great advantage in this program that the basic line of $1,400 is dependable. It is there. I would expect that there will be fairly modest use made of that—but I think the way should be open for him.

Mrs. **Green**. Would you be willing to expand that so it would also be possible for the middle-income youngster to also aspire to go to the most expensive college?

Mr. **Cross**. If I might amplify, what I think the Commissioner is indicating is that the bill is intended to equalize resources. In doing that you have to equalize resources by giving those who can make no contribution the relative contribution which brings them up to ~~the $10,000~~ adjusted family income. It is not designed to enable the poorest to be able to go to more expensive schools than the middle income.

Mrs. GREEN. As I see it, I think this formula unequalizes the educational opportunities. And I think you deny to the middle-income student the opportunity which you say you want to give to the poorest, but that is a difference of opinion.

Mr. CROSS. Might I ask your definition of middle income?

Mrs. GREEN. I will even accept yours, but I am talking about the people to whom you are going to give the additional $1,500. You say it is only going to go to the neediest. You define the neediest.

Mr. CROSS. Anyone who qualifies for any assistance under the basic resource equalizing area; that is, 700,000 families above $10,000 incomes.

Mrs. GREEN. 350,000?

Mr. CROSS. 700,000 students, 350,000 families. That is 10 percent.

Mrs. GREEN. I was using the figures on your chart of who is eligible for what, in terms of family income. I think you have, as a policy, been trying to make it possible for the neediest to aspire to the most expensive schools, and if we are going to do that we should make that $1,500 subsidized loan available to everybody.

Mr. CROSS. I would have to ask—or disagree on this basis. I think we see it as an attempt to equalize the ability of the poor student to go to the same institutions which the middle- and higher-income students have been able to aspire to all along.

Mrs. GREEN. We disagree.

Mr. DELLENBACK. I think we are here on the fundamental part of the program.

Mr. Commissioner, in looking at your testimony, I see, on page 19, what your basic purposes are. You have spelled them out as: (1) to assure the availability of funds to every qualified student; (2) to assure that Federal funds go first and in the largest amounts to students who need them most; (3) to provide potential students with as accurate information as possible concerning the aid they can expect; (4) to assure all students of equal need are treated alike; and (5) to provide additional financial aid to students attending high-cost institutions.

I read you as saying those are your fundamental purposes. Am I correct?

Dr. MARLAND. You are correct.

Mr. DELLENBACK. What you have in the charts at which we are looking are proposals to implement those basic purposes.

Dr. MARLAND. That is correct.

Mr. DELLENBACK. And it would seem fundamental if we do have difference within the committee or between members of the committee and the administration on this, that we pin down whether we are disagreeing on basic purposes or whether we are disagreeing on implementation of purposes.

I don't know whether I disagree or agree with the chairman at this stage of the game because I do not read her as disagreeing with any of these fundamental purposes.

It may be that we will get to the point where there are fundamental purposes where within the committee there is disagreement, but rather than saying to you, as far as this member of the committee is concerned, that you should come up with a new formula, I think we should, Madam Chairman, have discussion within our group as to whether we are really going back even behind that and disagreeing on the fundamental purposes.

If we are disagreeing with purposes, we must make radical changes; but if we do not disagree with the purposes, then I think we should, after having established that, proceed to where it is we might suggest modifications of formula.

Frankly, recognizing as I do that there is some limitation in the total number of dollars that are going to be made available through the budget or through the Congress for this field of higher education, I read you as having started with these purposes, realizing the financial limitations under which you can afford to operate, and you have tried to, using your best calculus, come out with the maximum benefit under these purposes with that number of dollars as you see them.

Dr. MARLAND. That is precisely the case, Mr. Dellenback. I would say again, if our purposes are at fault, then we should review them. But I think that for the purposes this is the best system we can construct to fulfill those purposes.

Mr. DELLENBACK. I would suggest that the committee at some stage of the game begin, not with the formula in our own internal discussion, but, with the purposes, and see where we differ, if indeed we do.

Mrs. GREEN. I think you have other points in both the Secretary's and the Commissioner's statement with which I do disagree.

Dr. MARLAND. Continuing, this is a chart intended to lead you, to lead all of us, through the sequence in which a student secures this money. Students go to the financial aid officer. His need and eligibility criteria are examined and he is found to be eligible for the basic aid.

A guaranteed nonsubsidized loan of $2,500 was made by the school or other eligible lender, such as a bank. This is again an effort to insure and safeguard the middle-income family that does not qualify under the strict criteria of low income formula. The eligible student would have a grant or work-study aid up to $1,000 plus a subsidized loan of $400. This is determined by the grants-in-aid officer at the institution.

In addition to that, he has a subsidized loan for education up to $1,500, again made by the school. This is the process through which the decision is made. We do not intervene in that determination at a university level, except as to insure the conformity with overall policy.

The major objectives of the program——

Mr. STEIGER. One second, Mr. Commissioner, I am not sure how I should ask the question. You established a need, eligibility. In order to receive the cost-of-education loan, he would have to have qualified for grant in work-study.

Mr. CROSS. That is not correct.

Dr. MARLAND. He might not choose to have that. If he does not want to have a job, he could get the loan.

Mr. Cross. He only has to qualify for $1 of subsidized loans. If we had a family with two children in college, and the family's income was $11,500 and the student qualified for $10 in resource equalizing, he would qualify for that entire $1,500 of cost-of-education loan.

Mr. Steiger. That answers my question.

Dr. Marland. Major objectives of the proposed program: Provide sufficient work and loan support to allow every low-income student to attend postsecondary education.

Additional subsidized aid to help students attending higher cost institutions.

Help institutions of higher education equalize the distribution of Federal student aid.

Reduce, refine, and redirect interest subsidies in guaranteed student loan program.

Tap private capital market for support of student loan program.

Create secondary market mechanism to buy and sell blocks of student loan notes and increase the availability of loan capital.

That is a summary of the philosophy underlying this program.

This is a new chart that I have not worked on.

Mr. Nelson. Mr. Commissioner, I just saw a copy of this last night. I think it is comparatively simple. It shows a distribution as of 1969 of income nationally by quartile.

In the midpoint, the arrow points to the median, $9,433.

Dr. Marland. When I said earlier the median family income in 1970 is somewhere between $10,000 and $11,000, it was based on these kinds of data that describe where the median family is, but more importantly, perhaps—and this is the value of this chart—where the quartiles fall. They show the very large part of our population that does indeed fall below the $5,800 figure this year. That may be higher in 1970. The top quartile in this bracket here.

But, roughly, well over half of the population would be touched by the services of this formula. If you have your $12,000 family with two children falling there [indicating], everybody, from here in, is affected by this formula.

Mr. Alford. That might be useful for use of middle income, since you have your two middle quartiles of the total spectrum of income.

Mr. Steiger. It is not clear why that chart was added.

Dr. Marland. This chart is an effort to project costs of the program, of the guaranteed loan program, showing where it is now, and showing the probable extension of this with the secondary market.

The question was asked here this morning about the loan volume without a secondary market. We would not have the money to provide for this. We are now up here [indicating] into the 1974–75; these are our best estimates as to where these would go.

You recall the $2.1 billion projection made this morning on this subject.

This completes our chart projection and chart presentation.

We will be prepared to have other questions if you wish, Madam Chairman.

Mrs. Green. I have no more questions on the student financial aid.

Mr. Dellenback. I don't know whether at a later time we are going to go further into the secondary market, but I would be interested in anything further that either the commissioner or anybody else might want to add on the secondary market concept.

Running through the presentation by Dr. Muirhead with the assumption that this will work, can you give us any more information, on the basis of that assumption, how sure are we that it will work?

The chairman made a sound point this morning. What if we find ourselves in time in financial stringency? Are we going to find this phase of the market constricting and the students will be in serious trouble?

Dr. MARLAND. We would not be presenting this to you unless we had confidence it could work. I will ask Mr. Cross or Mr. Kramer to comment on the detail into which we went in determining the promise of this device to solve this problem.

I know there were extended conversations with other agencies of Government as to its feasibility and the evidence is strong that it will succeed.

Now, Martin, do you want to add to that?

Mr. KRAMER. Chief among those consultations was our conversations with Fannie Mae. People at Fannie Mae see no reason why this kind of program should not work. Since under this program we would be proposing to guarantee both principle and interest on all of the debentures issued by the proposed NSLA, it is just that much easier than for Fannie Mae, where only a very small proportion of its debt issues are so guaranteed. I think we can have every confidence that it will work.

Mr. CROSS. If I could, Mr. Dellenback, I would like to ask permission to have entered into the record a paper which we prepared explaining the role of the secondary market as viewed from a number of different perspectives.

I believe that you have seen this paper. It was distributed this morning and it explains it from the perspective of the college, of the banking community, of the investment public, the effect on the Federal Government and on every conceivable aspect of it, and I think this might be helpful in answering some of these questions.

Mr. DELLENBACK. I would like to make it part of the record. It seems to me I read into the secondary market concept a fundamental part of what is being proposed by the administration, and I think it should be a part of the record.

I ask consent that it might be made part of the record.

Mrs. GREEN. If there is no objection, it will be made part of the record at this time.

(The document referred to follows:)

THE PROPOSED ROLE OF THE NATIONAL STUDENT ASSOCIATION

The proposed National Student Loan Association (NSLA) will raise money in private capital markets and use the proceeds to purchase student loans from lenders. These "secodary market" operations will affect many parties:

(1) The student borrowers.
(2) The colleges and schools they attend.
(3) The banks and other commercial lending institutions which participate in the loan programs.
(4) Investors in NSLA securities.
(5) The taxpayers who sustain the Federal budget.
(6) Other borrowers throughout the economy.

In what follows, the operations of NSLA are examined from the point of view of each of these parties in turn.

I. THE STUDENT'S POINT OF VIEW

The establishment of NSLA will bring only slight changes in the mechanics of student borrowing. The forms the student fills out may be slightly different, but the main features of the process will be much the same:

(1) The student will provide the student financial aid office of his college with information needed to establish whether he will be eligible for an interest subsidy.

(2) The student may obtain his loan either from the college or from a bank.

(3) He will sign a note consistent with the terms established by the Congress.

(4) The proceeds of the loan will be used to meet his anticipated college expenses.

(5) He will pay no interest while in school and for certain periods thereafter.

(6) Before leaving school he will consolidate his loans obtained at various times to create a single account.

(7) He will be billed monthly or quarterly during his repayment period, consistently with the requirements and privileges established by the Congress.

From the student's point of view the main results of establishing NSLA will be five:

(1) His ability to get the loan he needs will be much improved; he will know in advance how much he can expect to get.

(2) He will more often be able to get his loan from the student financial aid office of his college as an alternative to borrowing from a financial institution.

(3) If his family has limited resources to commit to his education, he will be much more likely to qualify for, and receive, a loan subject to Federal subsidy at the highly advantageous rates provided in the present National Defense Student Loan Program.

(4) If the student is not eligible for an interest subsidy on his loan, the interest accruing while he is in school would be added to principal and paid off during his repayment period.

(5) If he is not eligible for a subsidy, the interest rate he pays on his loan will depend to an important extent on the rate of interest NSLA has to pay on the debentures it sells to finance student loans.

Changes (1) through (4) are clearly in the student's interest. Change (5), however, will sometimes be to his advantage (when the cost of money to NSLA is low, it will be low to the student also), but sometimes to his disadvantage (when NSLA has to pass on to him the high cost of its own borrowing). Under the present Federal student loan programs all student borrowers, whether they meet a means test or not, are insulated from the effect of changes in the money markets. Under the proposed program, only those meeting a means test would be insulated.

From the point of view of the student with family resources too great for him to qualify for a subsidized loan, what is the *worst* possible result from this removal of this insulation? In a period of very high interest rates, such as was experienced last spring and summer, a student who was not eligible for a Federal interest subsidy would have to decide whether to postpone his borrowing until interest rates declined or else to pay a high rate. The possibility of such a postponement would, of course, depend on individual circumstances. He would need short-term help from his college or his family to enable him to do so. However, the fact of his ineligibility for Federal interest subsidies means that the student in question would be much more likely than most to come from a family with savings or some other kind of nest egg which could be drawn on for a brief period until interest rates fell.

This last point suggests the most potent remedy for the credit squeeze problem: In such periods the Secretary could raise the subsidized loan ceiling. He could, for example, raise the $1,400 ceiling that has been widely discussed to $1,800 for a temporary period. He could also seek appropriations to support a larger volume of "cost of education" loans as well. Such a step would mean that the class of students which had to bear higher interest charges would be considerably more affluent than before the Secretary took such a step, and they would be considerably more likely to have adequate family nest eggs.

II. THE COLLEGE'S POINT OF VIEW

The changes brought about by NSLA would be most striking from the college's point of view in the handling of loans carrying an NDEA subsidy:

(1) Colleges would be permitted to make far more of these loans totaling a far larger aggregate amount.

(2) Instead of relying on a Federal capital contribution to their loan funds for 90% of the capital needed to make each such loan, they would rely on the proceeds of selling the loan, or on an advance against such a sale.

(3) The Federal government would pay interest subsidies as they came due. Loans would not be subsidized, as they are now, by the college taking an artificially low yield on its student loan portfolio, which partly represents the college's own capital because of the 10% matching requirement.

In those instances where colleges make Federally guaranteed, but unsubsidized loans, the colleges would put up all of the required loan capital (as they have in the past in the case of GLP loans) but would have opportunities to sell such loans to NSL to recover their capital, which they have not had heretofore.

These changes in the role of college lenders would have consequences on three aspects of an institution's student aid programs:

(1) The cost to the college.
(2) The cash position of the college.
(3) The kind and amount of paperwork involved.

The cost of participation to the college would, on balance, be lower. The college would not have to match the Federal capital contribution on NDEA type loans, and therefore would not have to commit other endowment, current income, or borrowed resources to these low-yield (and therefore costly) investments. Instead of a one-time-only, lump-sum Federal payment toward administrative costs equal to 3% of each NDEA loan made, the college would receive servicing fees averaging an estimated 1.25% over the life of the loan—a much larger revenue stream. If the college felt that it could not perform servicing functions within the fees allowed for servicing costs, it would have new opportunities, through NSLA, to put servicing functions in the hands of an efficient servicing agent.

Some fears have been expressed to the effect that sales of student loans to NSLA might result in costs to the colleges, in the form of discounts on the loans. The fear is that a college, having made a loan to a student of, say, $1,000 might receive only $950 as the purchase price of the loan when it was bought by NSLA, for a loss of $50. Discounts of this kind (as well as the payment of premiums) occur in money markets when fixed interest bonds or other obligations are priced to yield a return higher (or lower) than the original yield.

It is clear that losses of this kind can be avoided. NSLA can make its purchase commitments in terms of a "par" price for loans with a given yield. For example NSLA could announce that it would purchase all $1,000 subsidized loans made at the beginning of the academic year for $1,000 each, provided they bore a 7% interest rate, and provided further that the loans were presented for purchase by NSLA before December first. A college could then make such loans to students with assurance that it would not lose when it sold the loans.

The effect of such commitments to purchase is, of course, to transfer to NSLA the risk of interest rates rising during the period between the making of a loan and its being sold to NSLA. It is such increases in interest rates which result in discounting, just as declines in interest rates have the result that debt obligations are sold at a premium. There are two main ways in which NSLA can be enabled to bear such risks without operating at a loss. First, to the extent possible, it will raise the capital needed to purchase student loans in advance of setting the terms of its purchase commitments. To the extent it does so, it will know the cost of money it must build in to the interest rate it can stipulate in its "par sale" commitments. In effect NSLA would engage in hedging transactions to deal with the risk of rising money costs, so that it would be unnecessary for colleges to do so. Second, NSLA can, with the permission of the Secretary of HEW, build in a small charge in its interest rate structure to permit it to build up a reserve against losses from "par sale" transactions. Such a charge included in interest rates would be paid by the Federal government in the case of subsidized loans and by the student borrower in the case of unsubsidized loans.

The cash position of the college need not be less favorable, but cash would be supplied through a different mechanism. Under present letter of credit procedures, Federal capital contributions for NDEA loans are disbursed as they are needed by the colleges. In the future NSLA would perform this role, advancing funds against its loan purchase commitments to the colleges to the extent cash is needed before the student has actually signed his note and the college sells his note to NSLA.

The paperwork involved in using NSLA would be new to the colleges, but will not be a major burden. The same documentation which the college would prepare in estimating for the Office of Education the volume of subsidized loans it would expect to make would also serve as a basis for obtaining a NSLA commitment to purchase the loans and for obtaining an advance from NSLA, if one was necessary. Having made the loans to students, the college would provide NSLA with a certified list of those it had determined to sell. Title to the "bundle" of student notes would pass to NSLA with the completion of the sale, but custody of the notes would ordinarily remain with the college. All loans to an individual student would be consolidated in a single account on his leaving the college. As blocks of notes entered the repayment phase, the college would apply to NSLA for servicing fees, and would account to NSLA for payments of interest and principal from the former students.

This standard pattern would be varied only slightly in special situations. Colleges selling unsubsidized loans to NSLA would collect and account for deferred interest from the time the loans entered the repayment phase. Colleges choosing to "warehouse" loans with NSLA, instead of selling them, would have to account to NSLA for advances received on such loans. Colleges wishing to avoid performing collection services could pay over servicing fees to a collection service run by a bank. In some cases, where a college had a bad record in servicing loans, NSLA would insist on such an arrangement.

For a number of reasons—some unrelated to NSLA operations as such—colleges are, in fact, likely to find the paperwork involved in loans under the proposed student aid reforms much less burdensome than for an equal volume of conventional NDSL or GLP loans:

(1) Eligibility will be more easily established.

(2) Subsidized and unsubsidized loans will be handled alike except as to the party billed for interest and the timing of interest payments.

(3) A separate set of calculations and subsidy claims for the special allowance on GLP loans will not be necessary.

(4) Separate accounting for Federal capital contributions and institutional matching funds will be unnecessary.

(5) Special accounting for teacher cancellation benefits will be unnecessary.

Of course, since most colleges will be making a much larger number of loans, the paperwork burden is unlikely actually to decline. However, it is expected that many colleges—after the inevitable difficulties of the change-over—will find that the burden is approximately the same as under the present system.

The Administration in its revised submission to the 92nd Congress, has included two new proposals to enhance the role of colleges in student lending.

First, the Administration has proposed that there be a class of "cost-of-education" loans as well as the "resource equalizing" loans proposed in 1970. There are only two important differences between these two classes of loans:

(1) Allocations to individual colleges from an annually determined volume of cost-of-education loans would be according to the need of students at each college for resources beyond the basic grants and loans provided generally.

(2) Students could receive up to $1,500 in cost-of-education loans at the discretion of the college if they were eligible for at least minimum resource-equalizing loans and if the additional resources were needed to meet college costs. Thus, the amount of a cost of education loan would not be determined by the expected contribution of the student's family alone.

In other respects the two types of loans would be the same. In particular, both would be subsidized at the same NDEA rates. Accordingly, both kinds of loans could be sold to NSLA without maintaining two separate record systems. The Office of Education, not NSLA, would verify that the college had not exceeded its allocation of cost-of-education loans, just as the Office would assure that colleges were making resource-equalizing loans only to eligible students.

Second, the Administration has proposed a method of interim financing of subsidized loans during the period in which NSLA is being organized. This period is estimated at six months from the date of enactment of the legislation. The proposal is designed to enable colleges to participate fully in the two proposed loan programs in the fall of 1971 even though NSLA will not be ready to purchase student loan paper until some months later.

This proposed interim arrangement is a variant of the basic pattern of secondary market financing. Until NSLA announces that it is prepared to make purchase commitments, colleges making either kind of subsidized loan could sell such loans at par to the Office of Education. The Office of Education would advance institutions the cash they needed to make such loans against the Office's commitment to purchase them on presentation. As in the case of sales to NSLA, title to the notes would pass to the Office of Education, but custody would ordinarily remain with the college. As soon as NSLA opened for business it would buy the notes from the Office of Education. Thereafter, the colleges would deal with NSLA, just as though the loans had been sold to NSLA in the first place.

III. THE POINT OF VIEW OF THE COMMERCIAL LENDERS

Banks and other commercial lenders, unlike colleges, are in the primary business of making loans and normally hold large volumes of loans in their investment portfolios. For this reason they, rather than colleges, have been the principal lenders under the existing Guaranteed Loan Program. Whereas the colleges need a secondary market such as that provided by NSLA as a source of loan capital, banks obtain such capital primarily from their depositors.

The need of banks for a secondary market for student loans is therefore different from the need of colleges. It results from the fact that the banks are making more and more student loans every year, and must do so if the need of each succeeding entering class of students for loans is to be met. Without a secondary market in which to dispose of loans, however, they accumulate in the lenders' portfolios. They cannot be readily sold, and they are made more rapidly than they are repaid.

Thus, continued banker participation in making student loans means that usually they must each year either increase the percentage of total portfolio allocated to student loans or find a market on which to dispose of the surplus. Access to NSLA will encourage them to do the first by permitting them to do the second. They will be more willing to allocate a greater percentage of portfolio to student loans if they know that they can reduce that percentage from time to time by selling loans to NSLA. Thus in periods such as the present, when the banks have ample supplies of lendable funds, they will be willing to make more loans to students at lower interest rates. They will do so in the knowledge that in periods of tight money such as occurred last spring and summer, the loans will not be illiquid, preventing them from readjusting their portfolios and obtaining cash to meet the needs of other customers.

Because commercial lenders view a secondary market in this different perspective, the terms on which they would wish to deal with NSLA will be somewhat different from those sought by the colleges. Whereas it is important to the colleges that they be able to sell student loans to NSLA immediately after they are made, it is the ability to sell student loans in periods of tight money that is most critical to the banks. Whereas the colleges ordinarily will wish to be able to sell student loans at par, the question for the banks is rather whether the return on student loans and the chances of a capital gain through selling them later at a premium price is worth the risk that the loans might have to be sold at a discount if interest rates were to rise. Banks decide whether to hold or liquidate loans on the basis of business judgment; in principle, they are equally willing to do either on the basis of profit calculations which can go either way.

While NSLA could make the same kind of purchase commitments to banks that it makes to colleges, NSLA is more likely to make a different kind of commitment to commercial lenders because of their different needs. The kind of commitment which will help banks to continue and increase their participation in student lending will be one which tells them how much liquidity they can count on from selling or warehousing student loans when the need arises. Such, for example, would be a commitment to purchase a given percentage of loan portfolio. Such a commitment would tell the bank the limits within which it could adjust the balance of its portfolio if it made a given volume of student loans. Thus, if NSLA undertook to buy 25% of guaranteed loans made before March 1970, to the extent that such loans exceeded 1.5% of portfolio, banks would be able to count on additional liquidity in a definite amount if they should need it.

In periods of tight money NSLA could make additional commitments to banks to secure a continued flow of lendable funds to students. To the extent of such commitments, the banks receiving them would know that they could make additional student loans without reducing funds available to lend to other borrowers. These commitments could be distributed according to a percentage-of-portfolio formula, rewarding banks which had participated most heavily in the student loan programs. Or they could be distributed to the banks which needed them most by auctioning off the commitments—a procedure Fannie Mae has developed in recent years. Or they could be distributed in a way that recognized special regional or local shortages of student loan funds—e.g., NSLA could favor the small bank serving many students because it is located in a college town.

IV. THE POINT OF VIEW OF NSLA SHAREHOLDERS

Ordinary investors will purchase NSLA stock only if NSLA earns money from which dividends can be paid. It would be possible to require lenders to purchase stock as a condition of using NSLA's secondary market facilities, but even in this case NSLA's ability to pay dividends would be crucial to whether these purchases were regarded as genuine investments or rather as a cost of doing business which would be passed on in the form of higher interest charges to students. Thus, it is essential that NSLA operations be profitable, and continue to be.

The fundamental condition of NSLA profitability is that there be a profit margin between its costs and the price it charges. The largest item of cost to NSLA will be its cost of money—i.e., the interest rate it must pay on its debentures. The price it charges will also be an interest rate—the rate of yield on the student loans it buys. For NSLA to be profitable, there must be a gap between these rates wide enough for NSLA to meet all its costs and have earnings left over. The lower its cost of money, the lower the yield it can accept on the loans it buys and still cover other costs and pay dividends.

Since lower costs of money will be passed on to students in the form of lower interest rates, the Administration proposes that NSLA's debentures be guaranteed both as to principle and interest by the United States. NSLA securities carrying such guarantees will be marketable at substantially lower yields than if they were not so guaranteed.

The other costs which NSLA must be prepared to meet besides cost of money fall under three headings, to which illustrative values can be assigned:

(1) Costs of servicing student loans in its portfolio, which will probably total an average of 1.25% a year over the life of a student's loan account.

(2) General overhead and portfolio control, which might be less than .05% of portfolio.

(3) Incentives to bankers and loan-servicing agents to participate in the loan program which will provide profits to these lenders in the range of a .1% return on invested capital over *their* costs.

To provide a yield on equity capital of 5% at a debt-equity ratio of 100 to 1, NSLA would have to have profits equal to about .05% of portfolio. Thus, if the above illustrative estimates proved accurate, the gap between the cost of money to NSLA and the interest rate charged students would amount to 1.45 percentage points. In other words, if the cost of money to NSLA at a given period proved to be 5%, the rate charged students (and the Federal Government in the case of subsidized loans) would have to be about 6.5% for NSLA to make profit and pay dividends.

Of course, no record of past earnings will stand behind the initial offerings of NSLA stock, nor will there be a record of past stock market performance. If a judgment is made that enough equity capital for NSLA will be difficult to generate through an ordinary offering of common stock, NSLA can require lenders to purchase stock as a condition of using its facilities. A very small amount of equity capital in proportion to debt capital should be sufficient, because purchasers of NSLA debentures will look primarily to the Federal guarantee of principal and interest for security, rather than to the assets of NSLA.

In addition to the kind of operations assumed above, NSLA will from time to time engage in variants of the basic pattern which might in special circumstances reduce its cost of money or the cost of servicing student loans. It could lend funds to originators of student loans, accepting blocks of student loans as collateral ("warehousing"). It could sell blocks of student loans to financial institutions such as insurance companies, separating loan servicing functions from title to the loans in the case of financial institutions not wishing to assume such obligations. It could "package" loans to former students taking up residence in the same geographic area, and sell the package to a financial institution with an efficient loan servicing capability in that region. Since the savings which might be accomplished by such operations would be passed on at least in part to the student borrowers and the Federal Treasury through lower interest charges, it is important that NSLA be permitted to engage in the widest possible range of operations.

V. THE POINT OF VIEW OF THE TAXPAYERS

NSLA will necessarily affect taxpayers in general through its effect on the Federal budget. Two main budget changes will be brought about by NSLA:

(1) It will no longer be necessary to provide Federal budget funds to meet the capital needs of the NDEA loan program. NSLA will generate the capital necessary for the Federally subsidized loan programs through the sale of its debentures.

(2) The Federal budget will carry an explicit amount for interest subsidies on NEDA type loans. These subsidies will relieve eligible students of borrowing costs to the same extent as the NDEA loan program does.

The immediate effect of these changes will be a large Federal budget saving. It obviously takes less budget resources to pay 7% of $100 million as subsidies on that amount of student loans than to pay 90% of $100 million, which would be the Federal capital contribution under the NDEA program. This means that NSLA will allow more flexibility in the Federal budget in its early years of operation. That is, more budget funds will be available for other purposes, including other forms of student aid, while making a given volume of NDEA loans.

This is not, however, the whole of the story. The 7% interest subsidy in the example is not the same kind of commitment as the 90% capital contribution. When the 90% capital contribution is made, the Federal budget's commitment toward the student loans to be made from it is finished.[1] Not so with the 7% interest subsidy. It will continue to be payable at the same rate for an average of three years, then, for up to ten additional years, a subsidy of 4% will be payable.

To develop a fair comparison of NSLA financing and Federal budget financing is therefore somewhat complicated. One common measure of the costs of the two forms of financing is to compare "present values" of the subsidies in the two cases, i.e., the amount the government would have to put in an interest-earning "trust fund" now to make good on its subsidy commitments as they come due later. In the case of the subsidy payments on $100 million in NSLA financed loans, this amount would be approximately $33 million. In the case of $100 million in conventional NDEA loans, financed 90% through the Federal budget, the present value of the government's contribution is approximately $30 million and is, in fact, paid out as part of the Federal capital contribution. This $30 million is not earmarked as a subsidy, but if the Federal Government were ever to take back from colleges the money it had contributed for NDEA loans, it would get back $30 million plus interest *less* than it would have got back if it had used the $100 million to purchase bonds with a 7% yield. The main difference between NSLA financing and traditional NDEA financing is that, with NSLA, the Federal budget would subsidize 100% rather that 90% of a college's loan volume. The colleges would no longer have to subsidize the remaining 10%; that is why the NSLA proposal would cost $3 million more per $100 million in loans.

There are some other differences between NSLA and budget financing. The cost of money to NSLA is included in the 7% loan interest rate assumed in the illustration. This cost is, roughly, the yield on NSLA debentures. These debentures are guaranteed as to principle and interest by the United States. But, because such debentures are not bought as widely as Treasury securities, such debentures will tend to bear a very slightly higher yield. That is, the cost of money to the Treasury would be slightly less than the cost to NSLA if the Treasury itself generated the needed capital by including the $90 million in its net borrowings from the public. This slightly higher cost of money, passed on to the Federal taxpayer because NSLA is used rather than the Treasury, is the price paid for having a private financial institution less well known than the Treasury take the responsibility for financing student loans.

There are two other differences in cost to the Federal budget:

(1) The interest subsidy under NSLA will include an element of profit to NSLA and private lenders, which will serve as an incentive to efficient operations that can be expected to save the taxpayer money in the long run.

(2) The interest subsidy under NSLA will include an allowance for servicing costs to the lender. These are not new costs, but in the past college lenders under the NDEA loan program have had to absorb them to the extent they exceeded a lump sum payment equal to 3% of Federal capital contributions. Now the Federal Government would assume in the case of subsidized loans the full burden of costs for a reasonably efficient servicing operation.

Protection of the taxpayer's interest.—Under the NSLA proposal there will be a number of built-in mechanisms for protecting the taxpayer's interest and the Federal budget:

(1) The Congress will pass on the amount of new interest subsidy commitments in acting on the Federal budget each year.

(2) The Secretary of Health, Education, and Welfare will annually review the eligibility requirements for student loans in the light of the latest information on the ability of families to pay for college education from their own resources and in the light of Congressional appropriations.

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[1] Except for "teacher cancellations," etc.

(3) The Secretary of Health, Education, and Welfare in consultation with the Secretary of the Treasury, will set the maximum interest rate on student loans. This will also be the maxiumm interest rate chargeable to the Federal budget in the case of subsidized loans. He will set the rate as low as possible consistent with maintaining NSLA as a financially viable operation. He will thereby be protecting both the interest of the Federal taxpayer in the case of subsized loans and the interests of student borrowers themselves in the case of unsubsidized loans.

(4) The Secretary of the Treasury will determine the amount of NSLA borrowing in the money markets.

(5) One-third of the NSLA board of directors will be appointed by the President, and will be in a position to cast votes in favor of practices which will reduce the borrowing costs and servicing costs which are the major components of interest subsidies charged the Federal budget.

Interim financing and the Federal budget.—Until NSLA is open for business, it is proposed that the Office of Education purchase subsidized loans from college lenders and make advances against such purchases to assure that the colleges will not fail, for want of cash, to make the loans for which students are eligible. Such purchases and advances will involve Federal outlays for which $400 million has been provided in the FY 1972 budget. However, as soon as NSLA is open (probably not later than January 1972), NSLA will repurchase the loans acquired by the Office of Education. This NSLA purchase will offset the earlier Office of Education purchase, with the result that net budget outlays for the interim financing arrangement will be minimal or zero. A cost would be insured only if interest rates rose significantly between the time of the OE purchase and the time of resale to NSLA. In that case OE would have to take a discount on the resale.

VI. THE POINT OF VIEW OF OTHER BORROWERS IN THE ECONOMY

The savings generated by the U.S. economy are in demand by many types of borrowers. The effect of Federal guarantees and interest subsidies on student loans is to make lenders willing to lend to students more money at interest rates low enough to be acceptable to more students. Both the supply and the demand for student loans are thus higher than they would otherwise be. The additional volume of loans which results exerts some upward pressure on interest rates in general, however slight. Other potential borrowers throughout the economy face the choice of whether to forgo taking out a loan or to pay slightly higher interest rates than would otherwise be obtained.

The important feature of all this is that Federally guaranteed and subsidized loans for one purpose—higher education—displace some borrowing for other purposes. The existing Federal student loan programs have been having this kind of effect since their inception. What NSLA will do is to eliminate obstacles to the growth of student loan volume. When volume increases as a result, the displacement effect noted above will also increase.

The obstacles in question can best be understood in terms of the operations of an ordinary bank. Individual depositors want the convenience of a checking or savings account. If banks did not exist, some people would lend money to business enterprises and friends who needed personal loans. But, given the illiquidity of such loans, they would keep a good deal of money in currency. As a result, far fewer loans would be made. What a bank does is to stand as an intermediary between depositors and borrowers. It provides saving and checking account arrangements convenient to depositors, on the one hand, while on the other hand it makes loans on terms convenient to borrowers. As a result, a far higher volume of lending occurs.

The functions of NSLA are very similar. It will buy or warehouse student loans made on terms convenient to students. It will sell its own debentures with denominations, yields and maturities convenient to large investors like insurance companies who would not invest directly in student loans precisely because of all the features that make them useful to students—such as small size, deferral of interest while in college and long repayment periods. The purchaser of NSLA debentures is like the individual depositor at a bank. He makes more funds available for loans because his needs can be taken into account, as well as the needs of student borrowers. A financial intermediary like NSLA eliminates obstacles to bringing potential sources of capital and borrowers together.

NSLA will thus put student borrowing in a better competitive position *vis a vis* other kinds of borrowing than it has hitherto enjoyed. A great disadvantage of student borrowers in the past was their lack of security to offer as collateral for a loan. The Federal guarantee fills this need. A second great disadvantage was the fact that student borrowers, unlike corporations issuing bonds, could not tailor their borrowing to the convenience of sources of capital and still have loan terms convenient to themselves as borrowers. It is NSLA's purpose to deal with this problem. It is the Administration's judgment that higher education is so important an investment in the Nation's future that such obstacles to student borrowing should be eliminated.

Mr. DELLENBACK. One other correction. Dr. Kramer, you made some distinction as to the nature of the guarantee that would apply to this particular program as opposed to FNMA. Are we apt to find that, in a time when dollars tighten up, the housing market would suffer because of the fact that preferential money would be going into education instead of into construction?

Mr. KRAMER. What we do here is increase the effective demand for student loans by assuring this amount of liquidity. That means more demand on the part of students as opposed to borrowers for housing, for personal loans, corporations borrowing to finance additional investment. There is competition in this area.

If I remember the figures correctly, the economy currently generates about $59 billion in lendable funds. We are talking here about a program which would absorb perhaps $2 billion. That gives one a sense of the magnitude involved. The end result of added competition for the loan dollar is very slightly higher interest rates throughout the economy which do lead people to defer borrowing for other purposes. It is our view that the importance of investment in higher education, in human investment, is worth the cost of slightly increasing the pressure on other borrowers in the economy.

Mr. DELLENBACK. Your $59 billion figure is an annual figure?

Mr. CROSS. Yes, sir.

Mr. DELLENBACK. And $2 billion is, or course, annual?

Mr. KRAMER. Yes, sir.

Mr. DELLENBACK. Thank you, Madam Chairman.

Mr. STEIGER. One question on this, Madam Chairman.

In the charts you show a subsidy cost in 1975 of $460 million. Is that going to be beyond the budget cost?

Dr. MARLAND. That would be the projection. I am going to ask my staff to check, but I think that would be the figure that corresponds to the $85 million figure we show you for the cost of sustaining this level of borrowing to maintain this program.

Mr. KRAMER. This chart was prepared to project the added cost of the present guaranteed loan program if it simply continues. This is not the administration's proposal.

Mr. STEIGER. It says a loan volume with a secondary market.

Mr. KRAMER. Some have proposed there be a secondary market to support the present guaranteed loan program. So this chart shows the effect of that.

Dr. MARLAND. The dotted lines are the influence of a projected secondary market in either case. The real message of the chart is how little money we can derive from the present level of funding continuing that as against the proposed level of funding.

Mr. STEIGER. I see that, but again let me rephrase the question. Are we saying that the National Student Loan Association proposed in the legislation has an impact on the budget of $460 million in fiscal 1975?

Dr. Marland. That is correct.

Mr. Kramer. I believe this projects the existing guaranteed loan program if it is continued without our amendments.

Mr. Steiger. What happens with the $85 million that you have to budget this year as an appropriation in 1975? What level does it reach?

Mr. Kramer. I would have to check that.

Dr Marland. I think we have those data but we do not have them here. They have been calculated. We can project them as nearly as we can and submit them for the record.

Mr. Steiger. I ask that to be made part of the record.

Mrs. Green. Without objection.

(The information referred to follows:)

The following are two tables which show the cost to the Federal Government of the $85 million. Table No. 1 assumes continuation of the first year support levels of the administration proposal; the decrease between 1971 and 1975 results principally from the expected growth of family income and contribution for education. Table No. 2 assumes increasing the grant/work-study ceiling to $1,200 and the loan ceiling to $1,700 in keeping with rising costs.

TABLE 1

[In millions of dollars]

	Academic year				
	1971	1972	1973	1974	1975
NDEA equivalent loan subsidies	85	85	77	75	74

TABLE 2

[In millions of dollars]

	Academic year				
	1971	1972	1973	1974	1975
NDEA equivalent loan subsidies	85	85	85	88	91

Mrs. Green. One of your predecessors is much interested in PAYE. Is the secondary market provision drawn up to include PAYE?

Mr. Cross. No, it is not.

Mrs. Green. Have you given that consideration?

Mr. Cross. We have, but we have certainly reached no answer to that. I think at best what we would do, if the committee desires, would be to do something along this line. Ask to have neutral language included which would allow the secondary market to accept experimental proposals with student financing but not to endorse any specific plan.

Dr. Marland. We see that plan as a feasible experiment at this stage, and that is all.

Mrs. Green. I agree, but if it could be included as experimental, I think it would make sense. What about part-time students being eligible for the various kinds of student financial aid?

Dr. Marland. If it were clear that the part-time student was indeed eligible even though probably earning a salary and that would be the reason he was part-time, our position is that he should qualify. Now we also surmise that it is very likely if he is a part-time student, independent, and having a salary, he would perhaps be less likely to qualify than if he were not working. I happen personally to have a bias in the direction of encouraging a student to work, even to work and study part time. I think that we would be able to construct this and we do indeed intend for it to be constructed to encourage students to work. If their eligibility remains secure, they would, therefore, qualify.

Mrs. Green. Is the administration setting up a modification, a recommendation for the inclusion of part-time students?

Dr. Marland. I think if the language of the bill needs further refinement we would be glad to explore that with you.

Can anyone of the colleagues indicate whether the language is sharp enough on that to make it clear?

Mr. Cross. As you understand, at the moment the bill extends only to guaranteed loans for part-time students and we are exploring the possibilities of expanding that and what the implications of that might be.

Mrs. Green. The guaranteed loans don't amount to much. They are going to pay—what, 10 percent?

Mr. Cross. Perhaps seven or eight. We are looking into that other matter, though.

Mr. Dellenback. At the time you explore this, would you bring before us your estimates of what impact it will have on other available dollars because the degree to which you deviate from what has been your base of utilizing full-time students as the core of being able to receive funds by bringing in part-time students will affect how far the rest of the dollars go?

Dr. Marland. My own judgment, again, would be that the student sufficiently engaged in part-time work is going to be less and less likely to be eligible for this. It may not be a large factor, but we should not exclude him from access to loans.

Mr. Dellenback. A number of us would feel that part-time students might soundly be included in the funding.

Dr. Marland. I think we sensed that from the earlier hearing. I think the Secretary is sympathetic to this position. I think we can sharpen and refine this with you.

Mrs. Green. What about the proposal that I made before that if a student is working his way through college and if it were not for that income he would be eligible for EOG, work study, or an NDEA loan; what would be the administration's reaction to a proposal that such a student would be guaranteed at least a minimum of the amount that he has paid in income tax?

Mr. Cross. I think our answer to that, Madam Chairman, might be to take a little different tack, really, to get around having to go through the Internal Revenue Service and the Treasury Department.

Mrs. Green. You don't have to go through it at all.

Mr. Cross. Let me suggest an alternative. We would be willing to submit an amendment or whatever way might be preferable for the committee to state that a student's own earnings, up to a certain reasonable limit, does not affect his eligibility for financial aid. It is his family's earnings that have the determinative factor. The student could earn $2,000 or $3,000 in the summer if he worked two or three jobs, but that would not necessarily render him ineligible to receive some type of assistance.

Dr. MARLAND. As we have mentioned, as we have described summer work, we are including that in a sense gratuitously to assume most youngsters will want to work in the summer, and if they want to save their earnings at this stage I don't think we should have them penalized for having worked.

Mrs. GREEN. I appreciate those words because it seems to me you encourage the student not to work because if he works he comes out on the losing end.

Dr. MARLAND. We do not intend that.

Mrs. GREEN. Let me go to some other matters. One, you have a provision with regard to Indian schools. Has the administration given consideration to making recommendations down at 1600 Pennsylvania Avenue that we do away with the segregated Indian school?

Dr. MARLAND. We have our own provision in the Office of Education. I have met with Indian leaders to discuss this. I think much of the Indian school and attention to our Indian population resides outside the Office of Education.

Mr. Alford, could you help me with that one?

Mr. ALFORD. I am not sure I can add anything at this point, Madam Chairman.

Mr. CROSS. You mentioned segregated Indian schools.

Mr. ALFORD. Elementary and secondary.

Mrs. GREEN. You have on page 20 the recommendation in regard to EPDA that the Indian schools become eligible which I take is an approval by the Office for a continuation of segregated Indian schools.

Dr. MARLAND. Most of those schools are on reservations. Where we speak of the Indian school receiving additional assistance from the Teacher Corps, it would be on a reservation setting as distinct from the conventional public school. This is why this amendment is suggested, to have access to the schools administered by the Department of the Interior.

Mrs. GREEN. May I suggest there are Indian schools that are not on reservations that are clearly segregated. There have been cases of Indian schools being built a couple of blocks away from other public schools in Oregon. We have Chemawa Indian School, an absolutely segregated school. The Salem public schools are within a few miles, no greater distance than the distance that other youngsters are bused.

Dr. MARLAND. We would count this as being contrary to our intention and it would be a clear target for the Emergency Assistance Act which will be coming before you. There should be efforts made to correct that. This is racial isolation whether de jure or de facto.

Mr. ALFORD. We will be required to enunciate our position more clearly because we will be asked to testify on an Indian education proposal before the Congress. This will be forthcoming.

Mrs. GREEN. It seems the Office of Education could take a leadership role here instead of just going along with the Bureau of Indian Affairs through the decades. You mentioned the Teacher Corps. What is the decision? Where is Teacher Corps going to go? Under EPDA or under a new volunteer agency or what?

Dr. MARLAND. I believe the question of the Teacher Corps will be placed before Congress to suggest that it might be assigned to the volunteer agencies. But I think it will not be moved by Executive order, as will be the case of the other agencies making up the proposed National Volunteer Agency. I think all other agencies being brought together in the voluntary context will be so declared by Executive order with the exception of the Teacher Corps which I believe will be placed before you for consideration.

Mrs. **Green**. What is the recommendation of the Office of Education?

Dr. **Marland**. At this time, Madam Chairman, the administration position is to establish the Teacher Corps as a component of the voluntary agency.

Mrs. **Green**. By congressional action rather than Executive order?

Are there any questions on those points, the point I raised so far?

I would like to go to performance contracting, if I may.

Mr. Commissioner, we have had some correspondence in regard to the copyright laws. If I read the copyright laws of the Government, and if I read them correctly, section 8, title 17:

> Materials that are developed through the use of public funds remain in the public domain and cannot be copyrighted by individuals.

I do not understand the order which was given by your predecessor, Mr. Allen, I believe in June of 1970, and the letter which really I received from you in defense of this change of the copyright. Would you want to add anything to this or do you want to prepare a statement:

Dr. **Marland**. I would be pleased to generalize briefly and ask Mr. Alford to expand upon it, Madam Chairman. It is an important point that you have raised and one that I am quite sensitive to. Because I think that it is a dreadful waste of Federal resources to have materials developed for teaching and learning and for reason of their being nonprotected in the public domain, to have them stashed on the shelves with no responsible distributor, publisher, entrepreneur willing to take them on because he has no protection. Therefore, we have endeavored under the rules of my predecessor—and I believe there were two rules by two different predecessors—to ameliorate this condition of waste in which there could be some protection to the publisher or other entrepreneur who chose to use our material and to distribute them and to place them in the classrooms of the land under our general surveillance. The present ruling which I have endeavored to amplify in the short time I have been here is to protect the Government as well as to give some assurance to manufacturers that if indeed we have a good product they will take that product and deliver it to children and advance it and promote it. Because we feel it is important for us to be in the position of producing and disseminating instructional materials in the context of a publisher. We are not equipped nor organized to do that.

Further, I would say that any of the profit resulting from this should be carefully scrutinized in whatever contract we undertake with the manufacturer.

In my letter to you, I stated that the arrangement for the copyright would insure that the royalties would be properly shared between the Government and the producer of the materials.

This, I will treat as a generalization so far and ask Mr. Alford to expand upon that further.

Mrs. **Green**. Before Mr. Alford comments, you would agree that this ruling of Dr. Allen does make a very sharp change in copyright law.

Dr. **Marland**. I would have to plead ignorance on that. I have tested what other agencies of Government have found it feasible to do and we do not seem to be contrary to the behavior of other agencies of Government, particularly in terms of the ways in which we insure royalty income to the Government. Some agencies apparently allow copyrights in which the Government receives no return. We felt we were considerably better off than those circumstances.

Mr. **Alford**. I think the Commissioner has presented the basic reason for this change in copyright policy; that is, the desire to insure that publishers and others would take the good materials and get them to schools and to the students where they can be used. There is one other point which I think has been in the correspondence we have had and that is that it is also designed, through the licensing arrangement, to protect the development of material and to protect against misuse of half-developed material or experimental material. This has been felt to be an important factor in the research and development process.

I think, as nearly as I understand it, that the policy that we have now is more nearly in conformity with other Federal agencies that are in areas similar to ours and that our former policy, which was completely open use of material, perhaps represented the most liberal approach in government in this area.

Dr. **Marland**. But it was an approach that received no results in that good materials were not of any interest to responsible publishers because they had no way of protecting their investment in those terms. This has been a conscious effort—and I cannot speak for my predecessor, but I can speak for what I have been able to ascertain in the time I have been here—this is a very conscious effort on the part of our office of dissemination to get out products of research, to get out products of development, to where they will do good and I feel very responsible in this direction. We cannot do this, as I see it, so long as we rest upon the fact that: (*a*) A responsible publisher does not have protection to do this; and (*b*) that we are insuring that these materials will be put together and disseminated in ways that we insist professionally are sound and not shoddy, cheap, or fraudulent.

Mrs. **Green**. You would certainly be protected against fraud by existing laws. That does not seem to be too valid.

Dr. **Marland**. I would call it fraud for an irresponsible publisher to take, as Mr. Alford said, half of a product and produce it merely for quick advantageous sale, without the real cost of development, illustration, editorial work, and marketing. To simply seize a product in the open public domain and to attribute it to the work of scholars in the Office of Education and then send it out in a shoddy fashion, I would count some degree of fraud.

Mrs. **Green**. I say I still think you are protected by the present laws on that. It seems to me this change of policy is really a go-ahead to profiteer at the public expense; that we have financed with public funds, tax dollars, the development of certain materials and if those materials in fact are good, it seems to me that they are going to be used, and I read this policy, very frankly, that the materials that have been developed are not very good, and nobody really wants to produce them, so we will turn it over to some publishing companies and try to get them distributed.

Dr. **Marland**. Since installing this policy, Madam Chairman, I cannot give you exact figures. The appropriate members of the staff that would know these data are not here. But I would say since installation of this policy a substantial number of contracts have been engaged in and the materials are now moving and the publishers are now taking them and competing for them vigorously. And they are now in the marketplace and being produced and distributed, whereas, before they were not. I think we have maybe 100 contracts now under this arrangement.

Mrs. **Green**. A conference was sponsored to get Federal funds so school districts can buy these materials that we are now turning over to the publishers, with copyright protection.

Dr. **Marland**. The purpose of the meeting was to bring together attorneys, publishers, producers, and scholars to try to find ways to get the materials into the hands of teachers and children.

Mrs. **Green**. I would think if they were good they would get there, but I think, frankly, this is something for the Judiciary Committee to take up. It seems to me the policy, as I read it, is in violation of the statute.

Can I go to one other matter, the performance contracting. What is the amount that the Office of Education has out in the performance contract?

Dr. **Marland**. During the lunch hour, Mr. Alford spent the time necessary to gather at least the preliminary facts and in answering that question I will turn to him, if you please.

Mr. **Alford**. Madam Chairman, putting this in the context of my becoming an expert in less than 60 minutes, let me give you figures I was able to obtain.

Mr. **Green**. Who is the expert in the Office of Education on this?

Mr. **Alford**. I am not sure there is any single expert. I talked to Mr. Glassman in the Secretary's Office, or Mr. Lou Butler's shop, who has overall concern with this from the evaluation point of view and he is also concerned with the Rand project, which I will mention.

In addition, we have, of course, done some things in performance contracting in title III. So I talked to the people there. We have several people that are concerned with this. So let me mention the projects.

I might mention, first of all, the fact that we have funded a contract in the Secretary's Office on planning and evaluation with Rand Corp. for $300,000. This is a 16-month study which began last July 1 and it is designed to take an intensive look at performance contracting throughout the country. They are looking specifically at some 17 sites and they are concentrating upon five of those sites.

The figures that I obtained from people concerned with this indicate that there are probably about 100 projects. We have no precise information on this, but there seems to be about 100 projects now in operation around the country.

Dr. **Marland**. Our lack of precision would suggest some of these contracts are being performed at the initiative of local school systems and are not engaged with Federal funds.

Mr. **Alford**. What we find in these 100 projects, or approximately, is that 20 of them are funded by the Office of Economic Opportunity. They have a program—I do have a list of those 20 projects——

Mrs. **Green**. My information is the OEO is spending approximately $5 or $6 million in performance contracting; that in the Office of Education you are spending approximately $100 million.

Mr. **Alford**. I don't have total figures of Office of Education but, in addition to 20 OEO projects, there are a few that are funded by HUD but the bulk of them seem to be funded under title I of ESEA. Various districts throughout the country have set up such projects. I do not have the total dollar figure but this is something I think will be forthcoming from the Rand project when they report.

Mrs. **Green**. Are they financed through both title I and title III?

Mr. **Alford**. Title III projects we have in that connection—we have set up one project for an accountability manual which includes one section on performance contracting. This is a relatively small contract, $54,000. In addition, we are considering with the use of the Commissioner's discretionary fund 15 percent set-aside for this fiscal year, the possible funding of something between three and five such projects. And depending on the number involved, this might range from $700,000 to $1 million if in fact they are funded. This has not been finally determined as yet. This is in process.

We have under title 8 the dropout prevention project. Our Texarkana project. That is a 5-year project which is running at about $270,000 per year. We are in the second year of that project.

Mrs. **Green**. That is still continuing?

Mr. **Alford**. Yes, we have changed. Because of the situation or irregularity in the first year of the program, they have changed contractors and they are now using Educational Developmental Laboratories which is a subsidiary of McGraw-Hill to carry out the project. But that one is continuing. We are in the second year of that project.

That is about the extent of the figures and the definite information that I have. I could supply you, of course, with the 17 projects that are being analyzed by the Rand Corp. I can give you some data on the projects that we are aware of under title I, but, of course, title I operates with largely State approval of projects.

We received information after the fact and we would have to probably take out a little more intensive effort to really nail down all the possible performance contracts that might be in existence under that project.

Mrs. **Green**. Do you think $100 million is somewhere——

Mr. **Alford**. I think that is large if the $100 million figure is correct, because on the basis of the cost of the projects, most of them seem to be set up within the quarter-million-dollar range.

Mrs. **Green**. But no one in your office keeps tab on how many districts around the country have——

Mr. **Alford**. No, we have brought in some information. They have gathered some information on this. I would judge they tend to be in the quarter million. So I think if there were 100, that it would be close to $25 million rather than the $100 million.

Mrs. GREEN. Will you see if you can obtain additional information that you could present as to what you think is accurate?

Mr. ALFORD. Yes, it will take me a little more than 60 minutes but I will try to see what I can get you.

(The information referred to follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., April 7, 1971.

Hon. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: As a follow-up to the question you raised about performance contracting in hearings last month, I asked our Title I people to gather some information on performance contracting under that program. I am enclosing a copy of the memorandum which they prepared in response to my request. I would indicate that the figures used are estimates and had to be gathered through the area desks dealing with programs in various parts of the country.

In the light of the preliminary estimates on numbers of programs given by the Rand Corporation, I am very hesitant to say that these figures should be considered in any sense as final. The total amount of money as you notice, falls considerably under the figure you had been given and also under my lower "guesstimate" at the time of the hearing.

I will keep in touch with you on this and provide any additional information which comes in as a part of the Rand Study, but I thought you would like to have this preliminary material at this time.

With best regards.

Sincerely yours,

ALBERT L. ALFORD,
Assistant Commissioner for Legislation.

Enclosure:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, OFFICE OF EDUCATION,
MARCH 31, 1971

Reply to Attn of: BESE/DCE.
Subject: Performance Contract.
To: Dr. Albert Alford, Assistant Commissioner for Legislation.

The information herein is the number and amounts of performance contracts using Title I, ESEA funds. This information was requested for Mrs. Green's subcommittee.

Area I:	
Massachusetts (1)	$122,000
Rhode Island (1)	200,000
Area II:	
Virginia (7)	225,000
Pennsylvania (1)	600,000
Michigan (4)	322,500
Indiana (1)	50,000
Area III:	
South Carolina (1)	98,000
Georgia (1)	10,000
Florida (1)	80,000
Area IV:	
Texas (1)	537,000
Area V:	
California (1)	30,000
Oregon (1)	12,008
Washington (1)	1,875
	2,288,383

MRS. GENEVIEVE O. DANE,
Chief, Operations Branch,
Division of Compensatory Education.

Mrs. **Green**. My office has been doing a great deal of work on contracts in the Office of Education. I guess I do not lay this at your door. This existed before you came, but I would describe it as one of complete chaos. The Office of Education has no idea to whom the contracts are given or for what purpose. The monitoring and evaluation is almost totally absent. I have here the contract to which I referred this morning, the Educational Development Center, by which OE contributes to the Zacharias operation.

Dr. **Marland**. I would be pleased to give you the data you requested such as the level of funding over the period of that institution's history. The laboratory is known as the Education Development Center. The record of our funding to that agency started in 1966. I will give you round figures and submit them in detail for the record. $168,000, 1967; $267,000, 1968; $1,041,000, 1969; $950,000, 1970; 1971, $625,000. Total budget—this is a total of $4 million over the 6 years that we have been engaged with them.

Our part in that laboratory represented about 16 percent of its total budget. The bulk of its budget is derived from National Science Foundation and AID. It is engaged with much more substantial sums in those agencies. Its annual budget runs in the neighborhood of $63 million, of which ours is $625,000.

Now, the aggregate for the 6-year period is some $63 million, and their annual rate is in the neighborhood of $6½ million or $7 million.

To give you more information, for example, in this past year, 1969, for the latest report, National Science Foundation contributed $2.5 million, and AID $1.6 million. Our file for that year was $1 million; office of OEO $462,000, and so on for a total of $6,567,000.

Mrs. **Green**. Does that include private contributions?

Dr. **Marland**. Ford Foundation, National Endowment for the Humanities, and the Agnes Meyer Foundation are also in there in smaller figures.

Mrs. **Green**. Over the 6-year period, you say it is $63 million?

Dr. **Marland**. Sixteen percent of their total cost represented by OE money; $63,309,000.

Mrs. **Green**. Over a 6-year period, which includes public and private funds?

Dr. **Marland**. That is correct. For example, of their $63 million, some $26 million were NSF; $23 million AID; Office of Education——

Mrs. **Green**. I understand this is one that you are phasing out.

Dr. **Marland**. Yes; as of 6 months from now they will have exhausted their present grant from the Office of Education. They will have concluded the remaining project that we have been funding there.

Mrs. **Green**. I have a paper which you put out in regard to the pilot community program which was anything but complimentary and yet I find the Office of Education still funding that. When you have a contract and you find they are not meeting the specifications, they are not realizing their goals, does the Office of Education ever terminate a contract? Do you ever deny funds? Do you ever cut them off?

Dr. **Marland**. I will ask Mr. Alford to amplify that.

In the short time I have been here, we have, in addition to closing our relationships with the Educational Development Center in the neighborhood of Boston, we have closed or will close in the next few months three other laboratories where we found the performance was less than we expected it should be.

Mrs. **Green**. Outside of phasing out the laboratories, as far as an individual contract is concerned, if a person negotiates a contract and the purposes for which the money is being given are spelled out in the contract, and at some point an evaluation is made and they find that what has been done bears no resemblance to the purposes as stated in applying for the funds—in an instance like this has the Office of Education ever terminated a contract and cut off the funds?

Dr. **Marland**. I cannot speak for the past, Madam Chairman, but I will say as far as I am concerned, we will expect to monitor all contracts diligently and to cut them off if they are failing to fulfill their terms.

Mrs. **Green**. Do you know how many live contracts you have now?

Dr. **Marland**. No, I do not, Madam Chairman.

Mr. **Alford**. It is 1,500.

Mrs. **Green**. Somewhere in that neighborhood.

Do you have staff to do what you say, to really monitor contracts? We found nobody was monitoring them and nobody was able to.

Dr. **Marland**. This committee knows the Office of Education is in extremely sore condition in terms of its salary and expenses and we have had to make do with far fewer people than the very substantial levels of mandated programs and funding and levels of responsibility for dollars would suggest. I would be pleased to submit evidence that would support that statement.

Mrs. **Green**. Would you do that at this point because we have our study but perhaps we do not have all the information showing your average salary. The Office of Education and the Office of Economic Opportunity are two of the highest agencies in the Government.

Dr. **Marland**. I am speaking of numbers of people, Madam Chairman, and numbers of authorized positions. That is where we are hurting.

Mrs. **Green**. If you would submit your statement, and I would ask unanimous consent to submit the material we have, and maybe we can——

Dr. **Marland**. However, we are considerably narrowing the focus of the types of contracts which you have suggested. We are in the process now and have been in this process only a short while of targeting our research in depth with very responsible institutions and persons. We have engaged competent management control in our Office which I think is overdue. And one of the high priorities for our management office will be to apply sound business practices to the conduct of grant placement and surveillance. This is only now occurring as I am attempting to put into position key people with this mission.

Mrs. **Green**. If this is the case, why would this pilot communities program which you described in terms that would indicate they are not doing a decent job at all—why would you continue funding it now?

Dr. **Marland**. I have to plead ignorance on the pilot community program. This may be a project that I may have written about. You say I described it. I, personally, or the Office?

Mrs. Green. The Office of Education.

Mr. Alford. Was this an EDC project?

Mrs. Green. Yes, sir.

Mr. Alford. This was one of the reasons we terminated. They had another phase they wanted to go on to but we did not consider it.

Mrs. Green. I ask unanimous consent to put this in the record.

Mr. Alford. When was that written?

Mrs. Green. I do not have the date. You can get it for me.

Dr. Marland. We have cut off support to that institution. If that is indeed the EDC, that is the responsible agency.

Mrs. Green. October of 1970 it was written.

Mr. Alford. This is when we did terminate the laboratory.

Mrs. Green. But you continued to have them—they are still operating at $650,000 level, and have extended the time to September 1971. You gave them a 9-month extension.

Mr. Alford. Yes.

Mrs. Green. Because they did not fulfill that part of their contract.

Why isn't it terminated at the time you find it is no good? Why don't you just stop it?

Mr. Alford. I am not familiar with this paper nor is the Commissioner and we do not know what stage this reached consideration in the whole process and what effect it had upon the decision to even allow the 9 months. So I don't think I could certainly make a comment on it at this time without checking with staff to see what happened on this.

Mrs. Green. I would say to my colleagues that I want to discuss this with the subcommittee and be guided by the subcommittee but I would hope we would really spend some time looking at the contract and the amount of money that is being expended.

(The document was not submitted for the record.)

Mrs. Green. Congressman Steiger had a question about another matter.

Mr. Steiger. I have two questions, Madam Chairman.

One is the material on 504 and 411, which you are going to give to us or submit into the record.

Mr. Marland. To be sure we understand the question, Mr. Steiger, you would like a record of the numbers of instances where 504 has been implemented for the withholding of further funding to a student and their locations.

Mr. Steiger. Yes, sir; and second, to again make sure the record is clear: that you are recommending that 504 be deleted from the law and not extended.

Dr. Marland. As I said this morning, and perhaps I was overbrief in expressing a position, we have misgivings about the implementation of that law. I don't think I want to say we are violently opposed. We are finding it difficult to administer. We are finding wide variation in the ways in which institutions themselves administer it. We have some feeling of uneasiness as to its equity. Whereas the president of institution A may in all ways and in all details comply precisely with the terms of this law, we might find the president of institution B being so violently opposed to it as to find reasonable ways within administrative judgments and jurisdiction presumably not to take note of the irregularities that would be punishable under this law. So with those kinds of inconsistencies, we are finding it awkward to administer this portion of the law honestly and, therefore, have not included it in our revision. It is something that is open certainly for discussion and negotiation with this committee.

Mr. STEIGER. Please submit the latest data that you have on the applications of both 504 and section 411 that would be helpful. Also, can you make it available to at least this one member of the subcommittee as well as submitting it for the record?

(The information referred to follows:)

FISCAL YEAR 1969 OPERATIONS REPORT

On the *FY 1969* Fiscal Operations Report which covers educational institutions actions under the NDSL, CWS and EOG Programs through June 30, 1969, the following was reported:

1. Three institutions reported action against 63 convicted students under the Higher Education Amendments of 1968, *Section 504(a)*. They were: Harvard University; Wisconsin State University—Oshkosh; San Bernardino Valley College—California.
2. Three institutions reported action against three convicted students under the appropriation act, *Section 411*. They were: Columbia University—N. Y.; Bluefield State College—W. Va.; University of California—Davis.
3. Five institutions reported 26 actions against students found to have violated college regulations or officials orders under *Section 504(b)*. They were: Columbia University; Cheyney State College—Pa.; Belmont Abbey College—N.C.; Alabama State University; Wisconsin State University—Oskosh.
4. Another 584 students receiving Federal funds were suspended or expelled by 110 institutions under actions taken in accordance with the institutions' own rules and regulations.
5. Totals: 676 students out of 771, 385; 117 colleges and universities out of 2, [illegible]0 participating.

All participating institutions are required to sign a Terms of Agreement. This terms stipulates that "the Institution shall take such steps as are necessary and appropriate to assure that the financial assistance provided for . . . is not made available to students where prohibited . . "

FISCAL YEAR 1970 OPERATIONS REPORT

On the *FY 1970* Fiscal Operations Report which covers educational institutions actions under the NDSL, CWS, and EOG Programs through June 30, 1970, the following was reported:

1. Two institutions reported action against 17 students under *Section 407* of the fiscal year 1970 Appropriations Act for the Department of Health, Education, and Welfare (P.L. 91-204). They were: Northeastern University-Mass.; Virginia Polytechnic Inst. & State Univ.
2. Two institutions reported action against 7 students under *Section 411* of the fiscal year 1969 Appropriations Act for the Department of Health, Education, and Welfare (P.L. 90-557). They were: Mesa County Jr. College-Colo.; Va. Polytechnic Inst. & State Univ.
3. Five institutions reported action against 5 students under the Higher Education Amendment of 1968, *Section 504(a)*. They were: California State Poly. College-Kellogg-Voorhis; San Fernando Valley State College; University of Maryland; University of Akron-Ohio; Wisconsin State University—River Falls.
4. Three institutions reported action against 11 students under *Section 504(b)* of the Higher Education Amendments of 1968. They were: Western Michigan University; Southwest Missouri State College; Miami University-Ohio.
5. Another 315 students receiving Federal funds were suspended or expelled by 72 institutions under actions taken in accordance with the institutions' own rules and regulations.

A total of 355 students had their financial assistance terminated because of Student Unrest.

The U.S. Office of Education does not have information concerning the dollar value of college disorders.

Mr. STEIGER. The other thing I am looking for, and the second problem I have raised before, is the data on what is included in the figure on adjusted gross income. There was a detailed paper from Dr. Muirhead which he said he was going to make available and, unfortunably, he left and I do not know where that material has gone.

Dr. MARLAND. It is the guideline you are referring to which we furnished to the student loan officer as to how he shall determine the net income of the family. This will be furnished for the record.

Mrs. GREEN. I have two other requests for the record, if I may. One, Mr. Hogan met with New York people this noon. The New York people have advised that there is a very high default on the guaranteed student loan program and they are much concerned about it. Now, they have, of course, a State program that preceded the Federal. Would you supply for the record at this point the information on this and the impact, if this is accurate, that there is an increasingly high default record? What impact would it have if we adopt the administration's recommendations in regard to the secondary market which obviously is going to free up more money for guaranteed loans?

The second request has to do with the sex discrimination. Would you supply for the record how many colleges now are women only; how many colleges are men only; how many of these are religious colleges; and then if you could supply the approximate enrollment in men-only colleges or women-only colleges and the size of those colleges?

Dr. MARLAND. By total?

Mrs. GREEN. I would like the number of institutions in each case and then I would like the approximate size. I am curious as to whether these are, by and large, small institutions. Are the ones that are women only or men only, are they enrollments of 1,000? And I would like the total number of students who would be affected if we made a change.

Mr. ALFORD. May I clarify? You would like it in categories of men only, broken by size of institution and by enrollment, and women only, and within that you want to know if they are religious or nonreligious?

Mrs. GREEN. Yes; and the approximate total enrollment that would be affected if we wrote in a provision that such institutions would no longer be eligible for Federal funds.

(The information referred to follows:)

EXISTING CONTROL OF CLAIMS & COLLECTIONS UNDER GUARANTEED STUDENT LOAN PROGRAM

The Insured Loans Branch is cognizant of the deteriorating effect that an inordinate number of defaults and resultant claims against the Federal Government might have in the Guaranteed Student Loan Program. Consequently guidelines and procedures have been established for dealing with eligible institutions of higher education who operate as lenders under the Federal Insured Loan Program and State and private nonprofit agencies operating under contract with the Commissioner.

Educational Institutions as Lenders

The Insured Loans Branch has employed three methods of dealing with "eligible" higher education institutions operating as lenders under the Federal Insured Student Loan Program when they either violate the letter or circumvent the intent of the program. We can *limit the volume of their lending activity, suspend insurance* of their loan applications, or *terminate their contract* of Federal Loan Insurance.

When schools operating as lenders abuse the program by over-obligating themselves with loans to the extent that their cash flow is affected and the program of education for which the student-borrower has obligated himself to pay is threatened, this office will make an assessment of the situation, determine a safe margin of operational capital, and limit the amount of loan insurance to which an individual school has access for a specific period of time. Schools which work themselves into this difficulty are not considered to be meeting the statutory provisions of the program which require (in Part B, Section 432(d) of Title IV, P.L. 89–329, as amended) that holders of Federally insured loans must exercise "... reasonable care and diligence in the making and collection of loans under the provisions of this part ..."(italic added).

When lender problems arise which either portend financial damage to the students, or threaten the integrity of the program, personnel from both the Central Office and the Regional Office(s) concerned peruse records, make inquiries, gather statements, compare findings and experience, and reach conclusions concerning the best method of handling the situation. During the time this background research is being accomplished, loan applications submitted by that particular lending institution are held in abeyance, pending the decision of OE administrators. We term this precautionary action a "suspension" of the contract. It is intended as an emergency or interim measure, and is not conclusive. But it does provide an interval of time during which we can gain an overview of the school's lending activity.

There is a need for the establishment of an orderly progression of steps to be taken by the Office of Education, independent of the various accrediting commissions, to eliminate from the program those school lenders who abuse the lending privilege. Therefore, contracts of Federal Loan Insurance are also terminated in extreme cases. Such an action would of course normally require a provision for an appeal by the school.

Guarantee Agencies

Most State and private nonprofit agencies able to comply fully with the Higher Education Act of 1965 (as amended), in addition to negotiating permanent agreements with the Commissioner, have contracted with the Commissioner to have 80 percent of the loans guaranteed by the agency reinsured by the Federal Government. The effect is to increase guarantee capability five times. Reinsurance agreements are currently effective in 24 States and the District of Columbia.

The Reinsurance Agreement clearly states the responsibilities of the Agency in regard to the handling of Claims and Collections. For so long as statutory authority exists, the agreement will be negotiated annually. Paragraph 9 of the Agreement states in part ". . . . Such negotiations shall take into account the adequacy of efforts made by lenders under the Agency's program and the Agency to effect collection of loans which have gone into default. . . "

The Guarantee Agencies Section, in their analysis of monthly reports submitted by the agencies, pays particular concern to the effort being expended by the agencies and by those lenders operating under contract with the agencies. Periodic field reviews and audits provide a further determination with regard to the proper disposition of seed money and credit that has been provided by the Federal Government to the agencies.

Should our determination in the case of a particular agency be unfavorable, we would take immediate action to provide whatever counsel and assistance is provided to help correct the problem that exists.

The Reinsurance Agreement is the contractual base for action if the Claims and Collection activity by a State or nonprofit agency is not satisfactory and default claims become excessive. If our attempt to treat the symptoms initially and resolve any problems before they become acute, fail, the continuation of unfavorable Claim and Collection activity by an agency would ultimately result in our failure to negotiate the annual Reinsurance Agreement. This would deprive them of the use of Federal Credit for their Reserve Fund and render future claims submitted, ineligible for Federal payment of 80 percent of the loss.

The isolation of the causative factors in such instances is extremely difficult, to say the least, but the net effect would be devastating to student borrowers as a group. Students in large numbers might drop out of courses and suffer financial loss due to the application of refund policies which call for the forfeit of appreciable sums if the student withdraws early in the term. The end result, of course, is that students who depart the school in such dissatisfaction usually carry this attitude with them when the time comes to repay their student loans, and this causes an escalation in the volume of claims under the Federal Insurance contract. The same would be true of students with loans guaranteed by State and nonprofit agencies who do not adequately protect their interest as they are bound to do.

NUMBER OF SINGLE-SEX INSTITUTIONS OF HIGHER EDUCATION (RELIGIOUS AND NONRELIGIOUS), BY SEX OF STUDENT BODY AND ENROLLMENT STRATA: AGGREGATE UNITED STATES, FALL 1970

Enrollment categories	Number of institutions								
	Total			Men only			Women only		
	Grand total	Religious	Non-religious	Total	Religious	Non-religious	Total	Religious	Non-religious
Under 200 students	104	85	19	79	68	11	25	17	8
200 to 499	78	44	34	24	19	5	54	25	29
500 to 999	100	54	46	23	12	11	77	42	35
1,000 to 1,499	35	12	23	12	2	10	23	10	13
1,500 to 1,999	9	4	5	5	3	2	4	1	3
2,000 to 2,499	6	2	4	2	2	0	4	0	4
2,500 to 4,999	11	2	9	8	2	6	3	0	3
5,000 to 9,999	2	1	1	1	1	0	1	0	1
10,000 to 19,999	0	0	0	0	0	0	0	0	0
20,000 to 29,999	0	0	0	0	0	0	0	0	0
30,000 or more	0	0	0	0	0	0	0	0	0
Total	345	204	141	154	109	45	191	95	96
Estimated enrollment totals (in thousands)	240.1	106	134.1	99.4	49.8	49.6	140.7	56.2	84.5

Mrs. GREEN. Congressman Dellenback?

Mr. DELLENBACK. I have a statement by Congressman Kuykendall, of Tennessee, who has requested we make it part of the record on his behalf. I would like to ask unanimous consent that this be made part of today's record.

Mrs. GREEN. Without any objection, all of these materials will be made a part of today's record.

(The document referred to follows:)

STATEMENT OF HON. DAN KUYKENDALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

The purpose of this statement is to express my interest in, and support for Subsection (b) of Section 414 of the Higher Education Opportunity Act presently before your Subcommittee. This subsection would enable the Commissioner of Education to waive the 20% matching grant requirement for the College Work-Study Program in those instances where an institution has more than 50% of its students from low income families. Over the past few years the College Work-Study Program has done much to assist poorer students across the country realize the goal of a college education, however, as our institutions of higher learning are feeling the pinch of rising costs, many schools are finding it increasingly difficult to match federal funds on the 1:4 basis as required by the present law. By giving the Commissioner of Education the discretion of waiving this matching requirement in certain well-justified instances, I think the Congress would be doing a great service to our nation.

My interest in this particular problem arose from the fact that LeMoyne-Owen College, a relatively small, private, and mostly black institution in my district has found itself in financial difficulty and will be hard pressed to take full advantage of the Work-Study Program due to the 20% matching requirement. If this new subsection is not included in the new higher education law, LeMoyne-Owen and many other small institutions like it might lose a number of their students because of an inability to provide this type of aid. We cannot let this happen.

Mrs. GREEN. I thank you very much, Mr. Commissioner. You devoted a very large part of today with the committee. It has been very helpful to us in clarifying our own thinking on it. We are appreciative and we are also very grateful to you for making arrangements so Dr. Muirhead could be here.

The next hearing of the subcommittee is March 18 when Secretary Richardson and Commissioner Marland will return.

(Whereupon, at 5:30 p.m., the subcommittee recessed, to reconvene at 10 a.m., March 18, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

THURSDAY, MARCH 18, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor
Washington, D.C.

The special subcommittee met, pursuant to recess, at 10 a.m., in room 2359, Rayburn House Office Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Perkins (chairman of the full committee), Brademas, Scheuer, Quie, Dellenback, and Peyser.

Staff members present: Harry J. Hogan, subcommittee counsel; and Robert C. Andringa, minority legislative associate.

Mrs. Green. I am going to call the subcommittee to order, even though we do not yet have some of the members here, because the House is going into session at 11 o'clock today and I would like to use this time as advantageously as possible.

I am delighted that the distinguished chairman of the full committee is here with us.

Mr. Secretary, we are pleased to have you and your associates back. We do have additional questions for your answer or explanation. So, would you proceed with your statement or summary of it, as you wish.

STATEMENT OF HON. ELLIOT RICHARDSON, SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY COMMISSIONER SIDNEY P. MARLAND; EXECUTIVE DEPUTY COMMISSIONER PETER MUIRHEAD, OFFICE OF EDUCATION; AND CHRISTOPHER CROSS, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION

Secretary Richardson. Thank you very much, Madam Chairman, Mr. Chairman.

I am very pleased to have the opportunity to appear here today with my colleague Commissioner Marland, Deputy Commissioner Muirhead, Deputy Assistant Secretary for Legislation, Christopher Cross.

I would like to introduce, sitting here at the table with me, Mr. William W. Cannon, vice president for programs and projects, University of Chicago, who has been and is a consultant to us in the development of our proposal for a foundation for higher education.

This proposal, as you know, has been introduced as H.R. 5192 by Congressman Quie, and a number of his Republican colleagues whose names are listed in my testimony.

The student aid proposals on which I have already testified, as you know of course, are directed toward the need to equalize opportunities for attending college.

Our proposal for a national foundation is directed at a second clear need, to assure that these opportunities will be meaningful ones.

The mission of the Foundation is reform, and not just any reform, not just change for the sake of change, but new orientation, programs, and innovative structures which will substantially enhance the capacity of higher education to serve the needs of all our citizens.

We have not only listened, but we have tried to incorporate into our conception of the National Foundation those ideas which would advance the purposes I have stated. We have described views of various bodies who have analyzed—and most recently, as you know, we have released a Newman task force report which points, we think, quite clearly and provocatively toward the need for reform and innovation.

There are many sources of these problems, but, perhaps, as dramatic as any is the great increase in the proportion of our young people who are now going to college, and, as a by-product of this, the enormous growth in our institutions.

I will read at this point.

Twenty years ago more institutions were relatively small, and the balance between public and private institutions was about even. Today, a quarter of our students attend institutions where enrollments are over 20,000, and large public multicampus systems dominate the field.

This swift growth had to occur if we were to keep faith with the expanding demand for higher education. Yet this rapid growth left a number of problems in its wake which might have been avoided had there been a chance to proceed more cautiously, to experiment, to assess what worked and discard what did not. With some notable exceptions, higher education kept doing what it knew best, namely, what it had been doing all along. The structures and methods of years standing simply were extended and expanded to a larger universe. Now the problems created during these two decades are all around us.

Academic departments and disciplines designed for advanced training and research have been extended throughout undergraduate education. Modes of teaching suited for students who have been raised to enjoy and excel in academic pursuits have been extended to students from very different social backgrounds. Requirements and practices which were designed for the selective few persist; yet, today, less than half of the students who enter college ever graduate.

The expansion of research and graduate education, too, was largely accomplished by extending traditional departments and disciplines into institutions where they had not previously existed. Departments were expanded to enroll more students, often without consideration as to whether a market existed for the skills the department provided. The congruence of lines of research with problems of society has been often a matter of luck rather than intention.

In the structure and administration of postsecondary institutions, the same phenomenon can be seen. Many have grown enormously, without adequate examination of their mission, how they were changing, and their competence and resources for doing more and different things. Under pressure of financial need, institutions have taken on outside activities which are unrelated to their central purposes and which other agencies can better perform. Even the ordinary processes of administration have generally expanded along traditional lines. The lack of sophistication in planning, programing, costing, and operating even in some of our most prestigious universities is distressing.

In turn, these outmoded forms and practices have been reinforced by equally outmoded habits and practices outside the institutions. Going to college has become a now-or-never proposition immediately following high school rather than an experience to be undertaken when individuals are eager and ready to acquire a higher education. Career ladders are so encumbered with requirements for certificates and credentials that doing time in school has become nearly the only avenue to advancement. Accrediting bodies have come to protect the professional views of guilds more aggressively than the changing needs and interests of consumers. And not the least of the problems is that we have continued to perpetuate modes of financing higher education without understanding their impact or experimenting with new financing methods. State and Federal Governments alike have been so concerned with finding revenues for an expanding system that questions about how to reward quality and performance, as well as provide financial stability, have been shunted aside.

Now, this is a formidable list of problems, and I have by no means exhausted them all. All of these are problems defined from a traditional conception of what higher education is all about. But patterns of work and leisure are changing so rapidly, the demand for advanced skills is rising so fast, surely higher education will be called upon in the coming decade to perform tasks never before even attempted. The worker, the housewife—individuals of all ages and circumstances— also represent "problems" for—and opportunities to—higher education.

I do not want to suggest, Madam Chairman, that our proposal for a National Foundation will solve or even address each and every one of these problems. Other programs of HEW and other agencies will make major contributions. But the National Foundation will be involved in a particular way. If we can agree upon the need for Federal leadership to facilitate basic reform in higher education, then I believe we can agree that the National Foundation is the right instrument for exerting this leadership.

We have adopted the foundation form of organization and administration because it seems so perfectly adapted to the things we want to do: To innovate, to seed and stimulate, to sponsor and encourage. A foundation is not an institution which deals with all clients in an even-handed way, but an institution designed from the start to be selective, and given the flexibility to attract for varying periods of time the highest order of staff and counsel. The national Foundation will have this capability. It will not be an organization for operating programs or carrying on large and continuing financial transactions but a grant-making organization. It will be free of responsibility for operating any existing programs now conducted by HEW.

The Foundation will be located within the Department of Health, Education, and Welfare in the same way as other agencies of the Department such as the Office of Education. This is a major change from last year's proposal which established the Foundation as an independent agency in the executive branch reporting directly to the President. It is a location which we believe will retain the advantages of independent action and add to these the benefits of full coordination with other major educational programs.

The Director of the Foundation will have close working relationships with the Commissioner of Education and the Director of the proposed National Institute of Education. Since this administration has made it clear that the Commissioner of Education is the chief education officer of the Federal Government, I intend to ask the Director of the Foundation to report to me through him.

I also intend to seek maximum coordination between the Foundation and other agencies outside HEW which transact considerable business with postsecondary institutions.

Communication with the world outside the Federal Government will be fostered by an advisory board of public members representing both the educational community and the general public. We want a strong board. Hence, we have provided for its appointment by the President as a way of recruiting top people from education and other walks of life.

Among all the key elements of the Foundation, the Director is the most important, including the fact that he would be a Presidential appointee confirmed by the Senate.

The Director will also need other incentives. So, the bill includes a very important provision to give him the tools he needs and to enable the Foundation to carry out its mission.

The bill exempts the professional and technical staff from the requirements of civil service laws and regulations regarding appointments, tenure, and classification of personnel. This exemption recognizes the unique characteristics and mission of the Foundation, a recognition which Congress has previously accorded to other governmental foundations.

I am confident that with these key features I have mentioned, the Foundation can be the vehicle for bringing a new emphasis to Federal higher education policy. The President's budget requests $100 million for the first year of operation of the Foundation. This is a substantial sum. But we are dealing with a large and very important system, and we are seeking much more than piecemeal reforms here and there in existing institutions.

The Foundation will bring substantial new elements of diversity to higher education by supporting exemplary programs in a wide range of areas. Excellence and innovation in higher education has for too long been associated with one activity—academic research. Those institutions which are excellent in this activity should continue to be so, and other institutions should be encouraged to join them. But we also need institutions which are excellent in training individuals for particular careers and professions, excellent in providing motivation as well as knowledge, excellent in educating particular groups, excellent in equipping people with the attitudes and skills required to serve others.

Excellence in all these areas will entail not just strengthening of existing programs but the development of new ones based on new sequences and modes of education. The high school graduate today who wants to enter a profession such as law, must undertake 3 or 4 years of general education followed by 3 years of formal training, and may never see the inside of a law office during this whole period. Women have no institutions seriously devoted to experimenting with sequences and courses of study related to their special needs and capabilities. Minorities other than blacks have no programs to speak of which are devoted to the study and enrichment of their particular cultures. We need institutions and programs devoted to all these needs—and others.

We believe, too, that the Foundation should seek to make higher education more responsive to public needs. One such need is the efficient use of public resources, and the Foundation can do much in this area. It can support evaluations and transitions to new kinds of administrative structures and procedures, new uses of faculties and facilities, and experimental modes of financing higher education.

Third, the Foundation should encourage new ways of going to college. The Carnegie Commission recently issued a report entitled "Less Time, More Options" which suggested the kinds of things which could be done to break the lockstep pattern and rigid sequences of college education. The Foundation can support these steps. And it can also establish programs and institutions which can provide higher education within the home, the neighborhood center, and the workplace. As the President said in his message on higher education, Great Britain and Japan have already made impressive strides in developing open universities based on televised courses and innovative tutorial and examining arrangements. Our citizens are no less deserving.

Madam Chairman, I thank you for allowing me the time to elaborate on the reasons why we feel the Foundation is so necessary. I urge the speedy enactment of the President's proposal.

And I would appreciate, Madam Chairman, my full statement being made a part of the record.

Mrs. GREEN. Without any objection, that is so ordered.

(The prepared statement submitted by Secretary Richardson reads in full as follows:)

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Madame Chairman and Members of the Committee, I am pleased to be here today to testify on the President's proposal to establish a National Foundation for Higher Education. This proposal has been introduced as H.R. 5192 by Congressman Quie, ranking minority member of the Education and Labor Committee, and co-sponsored by Congressmen Dellenback, Bell, Erlenborn, Esch, Eshleman, Steiger, Hansen, Forsythe, Veysey, and Kemp.

Our student aid proposals on which I have already testified, are directed at the highest Administration priority in higher education, the need to equalize opportunities for attending college. Our proposal for a National Foundation is directed at the second clear need—to assure that these opportunities will be meaningful ones. The mission of the Foundation is reform—and not just any reform, not just change for the sake of change, but new orientation, programs, and innovative structures which will substantially enhance the capacity of higher education to serve the needs of all our citizens.

While our proposal is based upon the legislation we submitted last year, it has been improved in major ways. Since last year, we have benefited from the thinking of leaders in higher education. The Commissioner of Education and I have consulted with the educational associations, and we have taken into account the views expressed last year and this by members of Congress and their staffs. The result is a proposal which many have helped design and for which I am personally responsible—and believe in.

We have not only listened, but we have tried to incorporate into our conception of the National Foundation those ideas which would advance the purposes I have stated. We have weighed and pondered the diagnoses of what is wrong with higher education which have been made by such groups as the Carnegie Commission, the Assembly on University Goals and Governance sponsored by the American Academy of Sciences, the Scranton Commission, and the Newman Task Force. As a result, I am confident that the proposal before you addresses itself to the right problems in higher education and deals with them in the right way.

These problems have many sources, yet surely a major one is the sheer and unparalleled growth of higher education in the last two decades. Twenty years ago less than a quarter of our young people went to college; today over half do. Twenty years ago most of our post-secondary institutions served a select and relatively homogeneous student population. Today they serve students from all kinds of economic and social backgrounds and a wide range of academic abilities and interests. Twenty years ago more institutions were relatively small, and the balance between public and private institutions was about even. Today, a quarter of our students attend institutions where enrollments are over 20,000, and large public multi-campus systems dominate the field.

This swift growth had to occur if we were to keep faith with the expanding demand for higher education. Yet this rapid growth left a number of problems in its wake which might have been avoided had there been a chance to proceed more cautiously, to experiment, to assess what worked and discard what did not. With some notable exceptions, higher education kept doing what it knew best, namely, what it had been doing all along. The structures and methods of years standing simply were extended and expanded to a larger universe. Now the problems created during these two decades are all around us.

Academic departments and disciplines designed for advanced training and research have been extended throughout undergraduate education. Modes of teaching suited for students who have been raised to enjoy and excel in academic pursuits have been extended to students from very different social backgrounds. Requirements and practices which were designed for the selective few persist—yet today, less than half of the students who enter college ever graduate.

The expansion of research and graduate education, too, was largely accomplished by extending traditional departments and disciplines into institutions where they had not previously existed. Departments were expanded to enroll more students, often without consideration as to whether a market existed for the skills the department provided. The congruence of lines of research with problems of society has been often a matter of luck rather than intention.

In the structure and administration of post-secondary institutions, the same phenomenon can be seen. Many have grown enormously, without adequate examination of their mission, how they were changing, and their competence and resources for doing more and different things. Under pressure of financial need, institutions have taken on outside activities which are unrelated to their central purposes and which other agencies can better perform. Even the ordinary processes of administration have generally expanded along traditional lines. The lack of sophistication in planning, programming, costing, and operating even in some of our most prestigious universities is distressing.

In turn, these outmoded forms and practices have been reinforced by equally outmoded habits and practices outside the institutions. Going to college has become a now-or-never proposition immediately following high school rather than an experience to be undertaken when individuals are eager and ready to acquire a higher education. Career ladders are so encumbered with requirements for certificates and credentials that doing time in school has become nearly the only avenue to advancement. Accrediting bodies have come to protect the professional views of guilds more aggressively than the changing needs and interests of consumers. And not the least of the problems is that we have continued to perpetuate modes of financing higher education without understanding their impact or experimenting with new financing methods. State and federal governments alike have been so concerned with finding revenues for an expanding system that questions about how to reward quality and performance, as well as provide financial stability, have been shunted aside.

Now this is a formidable list of problems, and I have by no means exhausted them all. All of these are problems defined from a traditional conception of what higher education is all about. But patterns of work and leisure are changing so rapidly, the demand for advanced skills is rising so fast, surely higher education will be called upon in the coming decade to perform tasks never before even attempted. The worker, the housewife—individuals of all ages and circumstances—also represent "problems" for—and opportunities to—higher education.

I do not want to suggest Madam Chairman that our proposal for a National Foundation will solve or even address each and every one of these problems. Other programs of HEW and other agencies will make major contributions. But the National Foundation will be involved in a particular way. If we can agree upon the need for Federal leadership to facilitate basic reform in higher education, then I believe we can agree that the National Foundation is the right instrument for exerting this leadership.

We have adopted the Foundation form of organization and administration because it seems so perfectly adapted to the things we want to do—to innovate, to seed and stimulate, to sponsor and encourage. A foundation is not an institution which deals with all clients in an even-handed way, but an institution designed from the start to be selective, and given the flexibility to attract for varying periods of time the highest order of staff and counsel. The National Foundation will have this capability. It will not be an organization for operating programs or carrying on large and continuing financial transactions but a grant-making organization. It will be free of responsibility for operating any existing programs now conducted by H.E.W.

The Foundation will be located within the Department of Health, Education, and Welfare in the same way as other agencies of the Department such as the Office of Education. This is a major change from last year's proposal which established the Foundation as an independent agency in the Executive Branch reporting directly to the President. It is a location which we believe will retain the advantages of independent action and add to these the benefits of full-coordination with other major educational programs.

The Director of the Foundation will have close working relationships with the Commissioner of Education and the Director of the proposed National Institute of Education. Since this Administration has made it clear that the Commissioner of Education is the chief education officer to the Federal government, I intend to ask the Director of the Foundation to report to me through him.

I also intend to seek maximum coordination between the Foundation and other agencies outside H.E.W. which transact considerable business with post-secondary institutions. The Foundation will have my backing to share information and stimulate jointly-supported projects with other agencies. And we intend to establish, within the Executive Branch as a whole, a mechanism through which the Director of the Foundation can routinely do business with the leaders of other agencies.

Communication with the world outside the Federal government will be fostered by an advisory board of public members representing both the educational community and the general public. We want a strong board. Hence we have provided for its appointment by the President as a way of recruiting top people from education and other walks of life. In addition, the Board's advice will reach to all important matters of policy and all important projects and programs. There is enough experience in higher education to be sure that a strong board can serve important purposes; rightly operated it will strengthen the hand of its executive officer, and that is what we intend.

Among all the key elements of the Foundation, the Director is the most important. We want someone who is dynamic, one who has fresh and progressive views about higher education. To recruit such a person, the bill provides a number of incentives. He is to be a Presidential appointee, confirmed by the Senate. He will have an exciting program to develop and administer, and a strong Board to help him formulate policies and programs.

These are powerful incentives, but he needs others. Thus the bill includes a very important provision to give him the tools he needs and to enable the Foundation to carry out its mission. The bill exempts the professional and technical staff from the requirements of civil service laws and regulations regarding appointments, tenure, and classification of personnel. This exemption recognizes the unique characteristics and mission of the Foundation, a recognition which Congress has previously accorded to other governmental foundations.

Existing civil service rules, designed for the settled operations of diverse governmental operating activities, would severely constrain the Foundation from pulling together—often quickly and for varying lengths of time—teams of skilled and experienced people. The image of freshness and new starts that the exemption would convey to the individuals we want to attract should also not be underrated.

The exemption could make the crucial margin of difference between assembling a staff of the first or the second order.

I am confident that with these key features I have mentioned the Foundation can be the vehicle for bringing a new emphasis to Federal higher education policy. The President's budget requests $100 million for the first year of operation of the Foundation. This is a substantial sum. But we are dealing with a large and very important system, and we are seeking much more than piecemeal reforms here and there in existing institutions.

The Foundation will bring substantial new elements of diversity to higher education by supporting exemplary programs in a wide range of areas. Excellence and innovation in higher education has for too long been associated with one activity—academic research. Those institutions which are excellent in this activity should continue to be so, and other institutions should be encouraged to join them. But we also need institutions which are excellent in training individuals for particular careers and professions, excellent in providing motivation as well as knowledge, excellent in educating particular groups, excellent in equipping people with the attitudes and skills required to serve others.

Excellence in all these areas will entail not just strengthening of existing programs but the development of new ones based on new sequences and modes of education. The high school graduate today who wants to enter a profession such as the law, must undertake three or four years of general education followed by three years of formal training, and may never see the inside of a law office during this whole period. Women have no institutions seriously devoted to experimenting with sequences and courses of study related to their special needs and capabilities. Minorities other than Blacks have no programs to speak of which are devoted to the study and enrichment of their particular cultures. We need institutions and programs devoted to all these needs—and others. We need wholly unstructured educational programs for those who use freedom well and can learn by experience, and highly structured, disciplined programs for others. We need colleges with broad-based programs and colleges with narrow missions, colleges of three years and five years as well as four years and two years. Nothing short of such diversity will meet the range of contemporary needs. The Foundation can encourage this diversity.

We believe, too, that the Foundation should seek to make higher education more responsive to public needs. One such need is the efficient use of public resources, and the Foundation can do much in this area. It can support evaluations and transitions to new kinds of administrative structures and procedures, new uses of faculties and facilities, and experimental modes of financing higher education. But it can go beyond this as well, and direct attention to the more general problem of accountability. It can support evaluations of what kind of educational programs are needed by our fast-moving society, where the distortions and imbalances are, and can encourage new programs in needed areas.

The Foundation should, thirdly, encourage new ways of going to college. The Carnegie Commission recently issued a report entitled "Less Time, More Options" which suggested the kinds of things which could be done to break the lockstep pattern and rigid sequences of college education. The Foundation can support these steps. And it can also establish programs and institutions which can provide higher education within the home, the neighborhood center, and the work place. As the President said in his message on higher education, Great Britain and Japan have already made impressive strides in developing open universities based on televised courses and innovative tutorial and examining arrangements. Our citizens are no less deserving.

Madame Chairman, I think you for allowing me the time to elaborate on the reasons why we feel the Foundation is so necessary. I urge the speedy enactment of the President's proposal.

Mrs. GREEN. Thank you very much, Mr. Secretary.

I am going to turn to the chairman of our full committee, the distinguished gentleman from Kentucky, Mr. Perkins.

Do you have questions?

Mr. PERKINS. Thank you very much, Mrs. Green.

First, let me state that I will support any program that I feel will advance the cause of higher education, I am quite mindful, however, of the new postal corporation we established. I supported this.

I am now, however, deeply concerned about the adequacy of our postal service.

I am concerned we may have made the wrong decision in establishing a new organization.

In connection with your proposal to establish a foundation for higher education, I would like to ask how much study has been undertaken to see whether we would have a better system of overall program of aid for higher education.

Will unusual delays in getting the programs to function as they should function be experienced? For instance, student assistance. You say you are going to equalize opportunities for all groups.

Secretary RICHARDSON. Let me respond, Mr. Chairman, first by saying that in contradistinction to Post Office reorganization, for example, we are not discussing here a proposal to transfer existing functions from their present mode of administration to a new entity.

Mr. PERKINS. I understand that.

Secretary RICHARDSON. We are really seeking to create an institution that can do a job not now being done.

Secondly, we do have the experience in the Federal Government already of the role exercised by the National Science Foundation and, in somewhat a similar manner, by the National Institutes of Health.

So, we consider that we do have models of excellence in Federal administration from which it can be adopted.

Further, and more directly answering your question, there are studies referred to at the bottom of page 2 of my prepared statement that bear on this proposal and out of which, in a sense, it grew. These were the studies of the Carnegie Commission—the one which I cited at the end of my statement called, Less Time, More Options, and other Carnegie Commission studies—the Assemblies on Universities Goals and Governance, the Scranton Commission, and, most recently, the Newman Task Force. It is fair to say that the studies did not directly deal with structure of Federal role proposed in an agency such as this, but they do point up the need, we think, for this kind of an entity that would be capable of encouraging and supporting innovation and reform.

Mr. PERKINS. One concluding question.

Assuming that we approve a National Foundation for Higher Education, will that adversely affect operation and funding of the present student assistance programs? How long will it take the National Foundation for Higher Education to become operative and equalize opportunities as you have described?

Secretary RICHARDSON. Well, Mr. Chairman, I do not visualize the Foundation ever becoming an appropriate vehicle for administering student assistance programs which are equally available to all similarly situated students.

We visualize the Foundation, rather, as providing grants to particular institutions to enable them to undertake some new things that they would not otherwise be able to afford to do.

As, I think you have had recent occasion to be made aware of——

Mr. PERKINS. In other words, it will embrace all of higher education not just a particular aspect?

Secretary RICHARDSON. Yes. It is a way of stimulating change, diversity and reform through providing grants for well-conceived individual projects.

Mr. PERKINS. Thank you very much, Mrs. Green.

Secretary RICHARDSON. Thank you, Mr. Chairman.

Mrs. GREEN. Thank you, Mr. Chairman.

Congressman Quie, the ranking Republican, do you have questions?

Mr. QUIE. Yes, I do.

Mr. Secretary, we have talked about the activity of the Foundation to bring about change in institutions of higher education. To what extent will it be involved in bringing about change in other areas of postsecondary education that are not usually considered when you talk about higher education?

Secretary RICHARDSON. We visualize the Foundation as being concerned with all postsecondary education, all education beyond the 12th grade high school diploma, and, in fact, I think it is fair to say that we consider the biggest job to be done is the job of providing better and more diverse and varied educational opportunities fog people who are not primarily suited for, or inclined toward, attending 4-year bachelor degree programs.

We visualize the foundation as encouraging and supporting exemplary programs in career education, through community colleges, through—in fact, maybe in appropriate cases—proprietary colleges. We visualize it as developing opportunities for education for individuals who are required during much of their time to work or to take care of children. We hope that it will create institutions that will enable a person to spend some time in education, then engage in work, having that work coordinated toward a degree perhaps or recognized as a contribution to their total education comparable to an attendance at class.

So, I think, in summary, we see the foundation as doing more to develop new forms for education beyond the high schools than it would be doing to support what is traditionally understood as higher education.

Mr. QUIE. What about what we usually term "training"?

Would it be involved in innovative programs in training, as well, or would it be limited to those courses of study that could be utilized in degree granting institutions?

Secretary RICHARDSON. No, and, indeed, it could support programs that did not lead to any prolonged degree. They might be programs for which completion was recognized by a certificate; they might be programs which take weeks rather than months or years.

In short, we think there are a lot of needs people have for supplementing the education they received in high school or going back for more or continuing their education that are not adequately met by the rather richer institutions we have now that tend to focus on the youths 18 to 22, that come to stress continuity during those years, that are hard to get in or out of, that require attendance at a particular campus, and that, on the whole, are disinclined to recognize as education whatever does not take place in the formal classrooms.

So, insofar as we regard the institution an instrument of innovation and reform, it would be looking at all these things. To put it the other way around, if you seek to analyze, as the Newman report did, some of the underlying reasons why half of all students now entering our institutions of education beyond the high school are dropouts before completing the courses, you come to recognize that it is because these institutions are, in large part, not meeting their needs.

So, we visualize the foundation, therefore, as encouraging the development of modes of education in institutions and structures that are better suited to the needs of these people, and this would include programs that ordinarily would be called training. Insofar as they develop a skill, they develop capabilities in a manual skill or technique or technology as distinguished from a profession or field of learning.

Mr. **Quie**. Let me turn to one comment you made in answer to my first question, Mr. Secretary, and that is with reference to assistance being made available to somewhat proprietary colleges. I would ask you, really, a twofold question:

No. 1. What about the proprietary business schools that now handle about 7 million students a year, granted that the most part of them are correspondence courses?

And the second part of my question is to section 5 of the bill which says: "No grant may be made to a private agency, organization or institution other than a nonprofit one."

I do not know how you provide the assistance to proprietary institutions.

Secretary **Richardson**. This is section 5?

Mr. **Quie**. Section 5(a); yes, on page 4.

Secretary **Richardson**. I think what my reference to proprietary institutions visualizes is: Cooperative arrangements, the development of opportunity for credit work performed in a correspondence school, for example.

Let me ask Commissioner Marland to expand on that.

Dr. **Marland**. Just to amplify what the Secretary has been saying, the relationship of proprietary schools, that is, profitmaking, would be a search for new forms of bringing in resources to proprietary schools with some kind of unique type service through contract.

Mr. **Quie**. The section I refer to does not prohibit contracts to profitmaking——

Dr. **Marland**. That is right.

Mr. **Quie**. I would like to pursue this a little bit more, because there is a tremendous opportunity for young people in proprietary institutions.

I know we have to be careful. We are providing grants for them. I agree we ought to. I know my time is up, and I will wait for another period.

Mrs. **Green**. Thank you, Mr. Quie.

Mr. Secretary, I cannot let this opportunity pass, since Mr. Hogan our counsel, informs me the captive audience is largely made up of representatives of the League of Women Voters.

For about 15 years, I have argued through various administrations for amendments which would bar discrimination against women in various programs sponsored by the Federal Government.

I would say to the members of the League of Women Voters who are here that this is the first administration that has ever come to my committee with an affirmative recommendation to end discrimination based on sex in educational programs that are financed by the Federal Government, and I am delighted that they have done it.

I also would like to say to the league that I think probably the most revolutionary thing that is happening in higher education will come about as a result of HEW having finally moved against the University of Michigan because of complaints that they had received alleging discrimination based on sex—different salary schedules for faculty members, different rates of promotion, and so forth. We all know that a higher grade point average is required of women entering college than men.

I think that this action against the University of Michigan will be a revolutionary development in government, and I am delighted that it has taken place.

Mr. Secretary, last year I inserted in the record figures showing the number of women in the Department of HEW in policymaking positions and also the number of women in civil service and in civil service from grades 14 on up. Less than 1 percent of the policymaking positions are held by women, and in HEW at grade 18 there are no women, according to the last figures I was able to obtain.

Now, that you are moving so aggressively and affirmatively against institutions of higher education in the country, wouldn't it be hypocritical to do less than that in your own Department?

Secretary RICHARDSON. I agree with that.

I have set up in my Department, as you may have seen, a program called the Women's Action Project, which has been referred to sometimes as the first in-house——

Mrs. GREEN. Does it have a man or a woman at the head of it?

Secretary RICHARDSON. It is headed by a woman named Xandra Kayden.

It has been referred to as the first in-house women's lib organization established by the Federal Government.

Its function is to advise us and to develop actual action programs as its name implies, both to create opportunities for women inside the Department and to expand opportunities for upward mobility in the Department as well as to examine the implications of HEW programs the way they are designed, administered, and so on insofar as they may create obstacles for women and insofar as they might be made into better instruments of opportunity for women.

Mrs. GREEN. Thank you.

Mr. Secretary, in regard to the Foundation, I do have some questions.

I know you have stated you want the Foundation to be autonomous, but you state also that you want the Director to report to you in HEW through the Commissioner. This does raise a question in my mind as to its autonomy. You have also stated very clearly that its purpose is going to be primarily reform.

I was talking to Clark Kerr the other day about this, and as you know, he has endorsed the proposal for a Foundation. I said to Mr. Kerr: "If the Director, whom you say you want to be a very strong individual, were to be diametrically opposed to your educational and philosophical views, would you be then so enthusiastic about the Foundation?"

The reform question is whose reform. Both the Newman force and the Carnegie Commission make recommendations which are, in some places, even contradictory. They certainly do not arrive at the same conclusion.

So, how will this Foundation decide what reform?

I believe, in your previous testimony or Commissioner Marland's the point was made that grants would be given to those institutions which are willing to change.

I read into this that those institutions which are willing to undertake change that the Board and the Director have decided is desirable will be the ones receiving funds from the Foundation. I think that L. B. J. when he was majority leader, said that legislation should be considered not in the light of benefits if properly administered but in the wrongs which would result if improperly administered.

NIH and NSF, I would suggest, for example, do not deal with the highly controversial matters and highly partisan matters that an educational foundation would have to deal with.

Secretary RICHARDSON. I think you have touched, Madam Chairman, on a very central problem that affects the manner in which the Federal Government carries out its role in relationship to higher education, and, in undertaking to support and encourage reform, we had better be pretty clear as to how we think such an institution as this proposed Foundation would go about it.

I think the only possible answer has to be that in accordance with policies developed by the Advisory Board and carried out by the Director, that it would support well-designed, well-thought-through projects aiming at innovation, experimentation, or reform, whether or not they felt that the objective was one that they have rated as highly as the institution. I read the Newman report, for example, as primarily a diagnosis of problems, weaknesses, deficiencies, and gaps in our total system of higher education. I read it as a diagnostic document, more than a prescriptive document.

I think, insofar as it serves to identify needs and opportunities for reform, it helps to make the case for the creation of a foundation. But I think what it says, in effect, is that insofar as a particular project contributes toward the creation of new modes, new ways of going at the solution of these problems, it may be an appropriate candidate for support without regard to the consistency of its philosophy within a preconceived view that somebody else may have.

I would think that the integrity and, ultimately, the confidence of a foundation such as this would depend upon the consistency with which it was able to convince everyone concerned that it approached its role in this way.

Mrs. GREEN. I would like to follow through on that, but I will do that the second time around.

Congressman Dellenback?

Mr. DELLENBACK. Thank you, Madam Chairman.

I appreciate your testimony, Mr. Secretary.

I think your comments have been helpful to the committee. I know they have been helpful to this member of the committee. I would like to follow down a little bit one of the questions of the chairman as to what you see as some of the administrative advantages in keeping the Foundation under the authority of the Secretary. While we have talked of the independence of the Board and seen what the provisions of the bill are and you having talked in terms of the strength of the

Foundation, what other values do you see as to why it is to be as it is potentially structured?

Secretary **Richardson**. Let me, first, Mr. Dellenback, call attention to the chart which Commissioner Marland has just turned around on the easel to your left, which shows the relationship of the Higher Education Board to the National Foundation, and the Foundation to the Commissioner of Education and the Secretary.

I think, to answer your question, one has to regard the role of the Secretary of HEW and the Office of Education as essentially integrated to the extent that there is a justification for a Department of HEW to include programs of education; it is a justification that rests on the need to fit pieces together. There are really relations between these programs there. Take child development, as a field in which you have had a great interest. Clearly, this is not a function that can be monopolized by people who are doing research in the evolution of the brain in the fetus, nor is it a function that can be dominated by people in the welfare agencies who are concerned with paying for day care for welfare mothers, nor can it be a function that rests wholly within the jurisdiction of the Office of Education. There have to be ways in which to try to assure that each having these roles reinforces the other.

Now, in the case of higher education, it is important, we think—I think and I know Commissioner Marland agrees—that we try to assure that there is leadership in the Office of Education through the Deputy Commissioner for higher education in the sense that the programs directly administered in the Office are administered in ways that are related to other activities in the Department such as, for example, in the field of the educational and medical manpower under the auspices of the National Institutes of Health, and training programs for social workers in social rehabilitation services that are lifted out as a whole.

Now, if this is the approach you take—and it is the approach I take through the Office of the Secretary—then, it is important, I believe, for an institution having the responsibility of funding innovative projects in higher education to do so in a way that can be seen in its relationship to all of these other activities. It is not a question of telling the Director or the Advisory Board what to do or what the priorities should be, but rather assuring that there is a mechanism that helps to make certain that the left hand knows what the right hand is doing. This is really what it comes down to.

Mr. **Dellenback**. I think this is one of the significant differences, as we all realize, between some of the thinking of last year and the thinking of this year: the independents versus the corporation. It is for this reason I asked the question, because I see not just the things which you have alluded to, but to other reaches beyond those. I can see an ability, by making it part of HEW in the cutting down or tearing down, in the size of the Foundation somewhat. So you do not have to have a complete legal department, a complete accounting department, a complete administrative department—a series of departments of their own; you can blend that in, as I gather from what you have said.

Secretary **Richardson**. That is actually the point—somewhat beyond what I said, but it bears out the point.

Mr. **Dellenback**. This implements the point. It is not only the correlation of services per se, but also an ability to streamline the

Foundation by virtue of what you are doing now by incorporating, which would not be possible if it were an independent agency.

Secretary **Richardson**. This is true.

Mr. **Dellenback**. You referred to coordination between the Foundation and other agencies outside HEW which transcend considerable business with post-secondary institutions. We are all aware—and I am looking here at a special analysis of Federal education programs—that the $1.3 billion of Federal funds estimated for 1972 to be spent within OEO are in addition to an additional $3 billion by other departments of HEW or other branches of HEW, and beyond that we have $1.3 billion from the Veterans' Administration; we have the National Science Foundation with hundreds of millions of dollars, and so forth. Is it this type of necessary correlation you are alluding to in this mechanism to which you refer on page 8?

Secretary **Richardson**. Yes; it is exactly to this. There would need to be, we think, a leading role for the Deputy Commissioner for Higher Education in seeking to bring the things into relationship with each other. But the Foundation is a vital element in this total structure. If you look at the Federal role in higher education in all its aspects, it is fair to say it is something that has never adequately been done.

Mr. **Dellenback**. I am pleased to see that, because this is one of the frustations that some of us on this committee feel sometimes, that within our own jurisdiction we are only partially dealing with the problems of education, and I am sure that within the Department of HEW you must feel the same frustration.

I am pleased that is one of the things you think in terms of for this Foundation.

Madam Chairman, I would go on, but time does not allow it. I thank you for this opportunity.

Mrs. **Green**. Congressman Brademas.

Mr. **Brademas**. Thank you, Madam Chairman.

Let me say we have a very effective "women's lib" leader here. She is rapidly converting me.

I noticed that at the University of California at Berkeley, Madam Chairman, in 1923, 2.6 percent of the professors were women, and in 1969 and 1970, it is 2.3 percent.

Mrs. **Green**. Would my colleague yield?

Mr. **Brademas**. Of course.

Mrs. **Green**. The rapid conversion reminds me of the 1954 decision: "with all deliberate speed."

Mr. **Brademas**. Madam Chairman——

Secretary **Richardson**. Madam Chairman, may I interrupt just a moment?

Mr. **Brademas**. I hope I do not lose my time.

Secretary **Richardson**. I think the Congressman deserves credit for conversion, since he is an overseer of Harvard University, and Harvard has signed, together with the University of Michigan, an agreement with the Office of Civil Rights.

Mrs. **Green**. I do know, but I do want you to know it was not instantaneous.

Mr. **Brademas**. Madam Chairman, it is never too late to be saved.

Mr. Secretary, it is good to see you.

Let me assert three concerns that I have about your proposal.

The first goes to the point that Mrs. Green has just made with respect to the automony of the Foundation. Clearly you have changed the structure of the proposal of a year ago when it was suggested that the Foundation would be independent, and you have asserted so strongly in your statement this morning the reforming responsibility of the Federal Government in higher education that I am apprehensive about that point.

I noted that when Dr. Moynihan was here the other day on another matter, he drew an analogy between the Foundation and the British University Grants Committee, which is clearly a different kind of animal from the one you are here proposing to us.

So, I just want to express my apprehension about your change, which seems to diminish the autonomy of the Foundation.

Second, you have changed the shape of the Foundation, as I understand it. You have asserted that the Foundation would be—to quote you—"free of responsibility from operating any existing programs now conducted by HEW". In my judgment, that is a considerable improvement.

You have also changed its purpose, as I understand it, from a general purpose program to an innovative and reforming program. I must say that it is most instructive to see the changing nature of this animal from a year ago—not that we can't have change, but I only draw this fact to your attention.

But the major concern I want to express has to do with my feeling that your proposal ignores the real needs of higher education. In a policy statement issued earlier this year, the National Association of State Universities Land Grant Colleges and the American Association of State Colleges and Universities, said, and I quote:

> What is needed now from the Federal Government is support to institutions to be able to meet their essential educational needs. Operating grants will encourage innovation. A central barrier to higher education is that it costs money. Unless an institution has a reasonably firm financial basis it cannot afford to devote leadership talent and money to experimenting with new methods and devices.

Then, it goes on to endorse Mr. Quie's institutional grant bill.

The Carnegie study makes the point that survival of private education is in jeopardy. The red and black study, whose authors we heard in here a few days ago, makes the very same point. The Carnegie Commission has made a similar point, and in June 1970, we called for very substantial investment in a wide variety of institutional grant programs.

Only last week, Mr. Secretary, the American Council of Education, appearing for a whole variety of higher educational associations before the House Appropriations Subcommittee, recommended $450 million for grants and $200 million for direct loans for building academic facilities for which you have proposed not a penny, proposed increasing funds for developing institutions almost three times what you proposed, tripling or quadrupling the program for title I, proposing much more money, $25 million for college library resources instead of your $5 million, and adding $14 million instead of nothing for college teaching.

I make these points to try to assert the proposition that while the Foundation may have a laudable purpose in encouraging reform, that it is really beguiling the higher education community in letting them think they are going to get much help to meet what I think, based on our conversations, is in desperate straits.

We had the Jesuit College priests in here last week. They are not interested in the Foundation at all. They want some help to keep them from closing their doors. Those are my three concerns.

Maybe, sir, you could respond to the last one of them first.

Secretary **Richardson**. Well, as to the last of them, we are very much aware of and concerned about the financial straits of institutions of higher education. We are, under forced draft, undertaking an analysis, both of the needs and of the possible roles the Federal Government might play.

As I have had occasion to say before this subcommittee previously and on other occasions, too, I do not, for one, believe that we should take necessarily the easy, lazy way out, the way which almost readily becomes the common denominator device for the support of institutions of higher education, namely; a flat grant measured by numbers of students receiving student aid or numbers of students graduating. This would not adequately deal with the problem of the private institutions nor would it deal with the problems of institutions having a special function.

It would tend to underwrite the status quo rather than to encourage innovation, reform and adaptation to new needs.

Mr. **Brademas**. I am not particularly endorsing Mr. Quie's formula, Mr. Secretary, or anybody's formula. My point was not——

Secretary **Richardson**. I am addressing your last point first, simply by saying, in effect, we recognize there is a problem, that we are working on it, and we do not regard the Foundation as in any sense a substitute for institutional aid. I do not know when or how this Administration is going to be in a position to propose a program of institutional aid. I am saying that we recognize it as a real and urgent problem and that the Foundation proposal is directed at other objectives than to deal with this one. It will not meet that need, and it does not purport to.

I can only say that we are, to a significant degree, indebted to members of this committee, who had the bill in its earlier version before, for helping us to see the need for modifying it this time around.

Mr. **Brademas**. What about the other question to which Mrs. Green alluded earlier?

Could you make comment on that, that is, the question of the autonomy of the Foundation, the relation, how you visualize its operating in terms of its independence within the Federal structure, within HEW and its relationship to higher education?

In other words, I assume higher education will not want to feel that you are telling them what to do.

Secretary **Richardson**. No, certainly not. I think it is important to emphasize that we visualize the Foundation as operating under a strong higher-education foundation board and a strong director.

I will ask the Commissioner to comment on how he sees his own relationship with the director.

But in any case, it is not, I can confidently say, a relationship under which we would expect the Commissioner to tell the director what to do, but rather a relationship designed, as I said earlier in answer to Mr. Dellenback, to try to make sure that the pieces fit together in a complementary way.

We, insofar as going back to the other—there are really two interrelated questions: One is the question of the independence of the board and the Director from dictation by the Secretary or the Commissioner; the other is the question of dictation by the Federal Government institutions or the too heavy exercise of the Federal thumb on evolution or direction of change.

As to the latter, I could only repeat briefly that we think that the board, which would have to be broadly representative, a group of wise women and men drawn both from the fields of education beyond the high school and from other areas of responsibility and exposure, experience, to make sure that it does approach its role wisely and with restraint.

Commissioner?

Dr. MARLAND. Yes, Mr. Secretary. Mr. Brademas.

I think, first, we should admit a correction on our chart.

We have a chartmaker who is devoted to symmetry.

The Advisory Council on the right is correct as it pertains to the National Council for Education.

On the left, the block should read "The Higher Education Board", not "The Higher Education Foundation Board." There is a difference.

The Secretary has indicated the eminence of people who would be drawn to that board and the eminence of the Director who would serve them in terms of their executive agent. The Secretary has suggested that I might comment upon the relationship between that individual, the Director, as we perceive it, with the Commissioner of Education.

It is clear that this person is to be named by the President; not the Secretary.

He would not be a handmaiden, if you will, of a Commissioner; he would not be a person subordinate to the Commissioner in the sense of taking direction. I would see the roles as very compatible, collegial, and mutually supportive. I would think that the education universe, to which I think the Commissioner of Education must address himself, provides a network through which he can receive important counsel, advice, suggestions, understandings, and perceptions to convey to the Director without enforcement or direction but rather counsel. I see it working. I see it working when it turns the other way and products from innovation, reform, and restructuring of institutions can be generalized and flow back, through the Commissioner, to the agencies of higher education within the Department. We will have better systems which have been tested out and tried by some courageous institutions with the support of the Foundation.

Mr. BRADEMAS. Thank you.

Mrs. GREEN. Congressman Peyser.

Mr. PEYSER. Thank you, Madam Chairman.

I would also like to thank you for giving me an opportunity to have a different profile, for having the Secretary and Dr. Marland sitting on the left side for a change. I do not know how this came about, but it is an interesting change.

Mr. Secretary, I guess I have no real argument with the concept of the National Foundation, but I have a concern in that we have a number of what I consider major brawls that are going to be coming up that are dealing with general assistance to colleges and universities to which you alluded a minute ago which allows for a formula for support for the colleges. We have a Higher Education Opportunity Act which, I believe, is of the utmost importance and is an act that will finally give some relief to middle-income people in the area of making loans available for college education, which I think is of tremendous importance, and we have the NIE, the National Institution of Education to which I am completely, frankly, in support. I feel the same support feeling in all three of these that I have just mentioned.

I get concerned about we, maybe, reaching a point with the National Foundation where it comes on top of everything else, where a decision may be made as to "Something's got to give in the financial aspects of this whole program." Is it conceivable that the NIE could accomplish some of the aims of the Foundation, if not all of them, if the Foundation were not in existence? In other words, could the NIE, as it is constituted, overlap enough to at least give some impetus to some of these things you mentioned would be functions the Foundation should perform?

Secretary **Richardson**. I think the only candid answer, Mr. Peyser, is that the NIE could do this. The question really is whether, on balance, it is better to rely on the NIE for the functions that we have been talking about here this morning, or to create another institution to carry it out.

The reason we have felt that another institution could do it better is that, primarily, we see the role of the NIE as focusing in the broadest sense on the development of new knowledge. It may be new knowledge, but it is how to do things. It may be new insights into what works or how well it works, as well as more basic research in a cognitive process, for example.

But it would have a thrust and an emphasis on the development of new knowledge across the whole range of education, from preschool education through higher education. It would not in any of this range have a particular role in the support of things that people want to do that are innovative, but they can't otherwise afford to do where those projects do not, in effect, tell us anything fundamental about how to do things better. For example, this is only one of the possible illustrations: The Office of Education is now, with others, supporting what we have called the University Without Walls. This, we think, is an existing exemplary project. It will come to demonstrate or redemonstrate a new approach to higher education, and it may be that another group would come along that would like to fund a similar undertaking.

It might not be justified in terms of its research potential. At the same time, however, it could contribute to the diversification of higher educational opportunities meeting some of these needs for new modes that the Newman report emphasizes.

So, it could be an appropriate candidate for funding by the Foundation. In other words, the Foundation, as we see it, would help people to develop new programs and new approaches, not so much for the sake of what they tell us—they might have been already tried—but because their very creation would enrich and diversify the system of higher education as a whole.

There are other distinctions that we think—for one thing, the community of higher education would feel, I think, a different sense of relationship to a foundation concerned wholly with higher education than it would in dealing with an NIE that covered the whole range. This is a factor we discussed yesterday with Mr. Brademas, what we regard as another consideration in favor of the conclusion we reached, and that is that we can fund innovative projects outside the area of research and demonstration in a more strict sense through the kind of programs that we administer on a formula-grant basis to the State. We hope, through our whole approach to special revenue sharing, for example, to encourage reform in education.

This is not the place to expand on how we think we can do this through a different approach to State planning, for example, through the education of objectives and provisions of technical assistance. But there is no comparable system for the advancing of higher education that lends itself to this.

So, we think that a new entity to which individual institutions can come would be a valuable addition to the means of supporting these things. There is, obviously, a question of judgment, but these are factors that are among the factors that have led to our recommendation.

Mr. Peyser. Thank you, Mrs. Green.

Mrs. Green. Congressman Scheuer, any questions?

Mr. Scheuer. I not only remain at your left, Madam Chairman, but at your extreme left.

I beg to defer to Mr. Quie.

Mr. Quie. I am at your further left.

Mr. Scheuer. Mr. Secretary, I am interested in your view that this new entity that we are discussing could be the means of funding new colleges and new institutions and, above all, new forms and new models. We have had the most interesting experience in the last week or so, being briefed by some of the people in the Orient. I think we all have the feeling that not only do existing institutions of higher education desperately and urgently need money not only to do their thing but to do their thing better, not only are we convinced that they are conscious of the need for change and they are conscious of the need for themselves to develop more relevant models of higher education but we are also very aware, I think, of the need for simply more, a vast number, of additional higher educational institutions on a variety of models, of 2-year junior colleges that are not simply caught out of a 4-year cookie cutter mold and are just designed to channel people into the 4-year mold at the end of 2 years but are designed to do their thing. We need a variety of new models that are related to life outside that would enable a student to get out of the education lock-step that they have heard so much about, enable him to combine life experience with some kind of work with training and on-the-job education, a whole variety of models, linked to public service institutions.

We have two particularly outstanding examples in New York that are trying to do just that. One is in the Bronx, the Costas Junior College which is, in effect, a new career training institution linked with the new hospital that is going up there, designed to train health professionals. Another is the College of New Careers. It has been organized and led by Audrey Cohen, a most remarkable person. With the most excellent leadership and very well conceived models, these three organizations that are quite preeminent in the country have had a desperate time getting funds, particularly the College of New Careers that Audrey Cohen is operating. It is literally dying on the vine for lack of a few hundred thousand dollars.

I do not know whether this new entity that we are discussing, whether you meant in your answer to Congressman Peyser that this really could be the conduit through which massive new funding could be injected into the education system and a whole variety of innovative and creative new models. I do not know whether we are talking about that kind of funding, and I do not know whether really you mean that would be the instrumentality through which the Federal Government would create hundreds and hundreds of new higher educations, postsecondary institutions of all kinds. If that is what you have in mind, I am all for it.

Could you tell us whether you contemplate this as being the mere tool to create a whole varigated variety of plurisms of institutions that we all feel, on both sides of this aisle, are urgently needed, not only for existing institutions but funding help for those people who want to do new things and new ways to create new institutions of postsecondary education?

Secretary RICHARDSON. Well, you have left, right, or middle, Mr. Scheuer; you have made, I think, very effectively, just the kind of case for the foundation that we would like to have made.

We do visualize it as funding the very kinds of things that you have referred to. I have taken, as my own sort of door opener to new vistas in higher education, the report on higher education which we generally call the Newman report. I think it is significant that Audrey Cohen was, herself, a member of the group which produced it.

We think that we would be starting out with an appropriation of $100 million as a first-year figure for this, on a pretty substantial scale. It would need to develop the capability to review and identify appropriate projects, but we do regard it as being the vehicle through which the Federal Government would expand this kind of new institution and new approach to fill the needs that are not now being met by the traditional mold.

Your reference to the cookie-cutter type of community college, for example, that has gravitated toward a function primarily as a screening institution for the 4-year colleges is a very apt case in point. It is one, in fact, the Newman report calls specific attention to, in urging that community colleges be assisted, as you put it, to do their own thing, to make a contribution that the liberal arts institutions and the 4-year colleges are not making, and to meet specifically the needs of a lot of the students who ought to be thinking in those terms but who should rather be thinking in terms of development of their own particular capabilities and interests, and so on, and in a setting which accords for recognition and respect to doing things that are not part of the traditional process of higher education.

Again, this another way of answering what we consider to be the reason for the proposing of dealing with the question of: "Why are we proposing this be a separate entity since it would be the vehicle toward funding of innovative institutions and approaches on a large scale, even though you could not justify each one in R. & D. terms?" We thus think that it ought not to be confuse with the support of R. & D. as such through the NIE.

Mr. MARLAND. May I add, Mr. Secretary, that I think Mr. Scheuer, as I heard him, may have inferred an implication you may not have answered.

I think Mr. Scheuer implied: "Would this be a vehicle for pouring very substantial sums of money into distressed institutions around the country?"

I think the Secretary's answer to that, as stated in his earlier testimony, would be: "No," as to the education——

Secretary RICHARDSON. I did not understand Mr. Scheuer to be talking about pouring money into institutions merely because they were distressed. If they they did not, an innovative approach or some really new contribution——

Mr. SCHEUER. Well, Mr. Secretary, I did not mean to throw a double-whammie at you at all. I think there is a clear way to help, particularly the private institutions that are doing a good job but are terribly distressed, many of the private institutions that are trying to relate to some of the kids who have less than the necessary college preparation who would want to break down those barriers, who want to participate, the whole demand for open enrollment. So, there is a desperate need for more support for private institutions who are doing a pretty good job now and who want to relate more to kids who need extra help and lack the means. This may not be the vehicle for infusing those resources into existing insitutions.

The second and quite different need is a large number of new institutions, based on a whole variety of models, I guess, to shoot with a high-powered rifle rather than a shotgun.

As to this second need, you feel this would be the tools and instrument to work upon these institutions?

Secretary RICHARDSON. Exactly. As we said earlier to Mr. Brademas, we are aware of the need that you first identified, just now, and we are working hard on the question of how best to propose to meet the need.

But it is, as you have just said, a distinguishable one, and this vehicle we regard as being directed toward to the second of the needs.

Mr. MARLAND. Following the trend of Mr. Scheuer's questioning, an illustration of the mode even as it now prevails would be our work with the black colleges where we have made some initial reports in the context of the Secretary's testimony.

Mr. SCHEUER. In New York City, the whole college system is desperately trying to get into the business of helping the black citizens or Puerto Rican students who are not prepared because of the failings of our secondary and primary education system. They want to do a job, but we have found through dealing with our open-end enrollment program and IC program, it is expensive; it requires new staff, very much smaller classes, and with all the will in the world and with the desire to change and be relevant, which we have in New York and which I suspect is why we are prevalent around the country—it simply takes money to do that kind of job. That is one kind of infusion that is needed to be made into existing communities to help them to do the job they want to do.

Dr. **Marland**. We will simply state that this is the instrument for one of those thrusts.

Mr. **Scheuer**. I am very pleased to hear this is the design you have in mind, to infuse funds in the new institutions of the Audrey Cohen variety. I do hope you will come up to us with some kind of program that will help existing institutions like Rutgers, like institutions across the country by the hundreds that are trying to meet the needs of explosion of expectations, of the explosive demand for postsecondary education that will not be thwarted and the folks I am talking about do not want to be screened out by a Carnegie test board, or a college board. They want in. And the institutions, in order to survive, to avoid blood flowing in the streets, are going to have to meet that need. They urgently and desperately need resources.

I look forward, hopefully and prayerfully, to a proposal from the Office of Education as to how we are going to help these existing institutions meet the urgent demand of the time. They want to meet it.

Secretary **Richardson**. Thank you, Mr. Scheuer.

Perhaps, I should add just one word, lest we leave the record with an ambiguity.

The foundation could, of course, support innovative projects or programs to add to existing institutions, but its emphasis would be on doing something new as distinguished from the support needed to be able to carry on things that are already underway, even though those things may be, to a degree, innovative.

So, it is for the latter purpose that we would need something beyond what we are now proposing.

Mr. **Scheuer**. Thank you very much, Mr. Secretary.

Mrs. **Green**. Mr. Secretary, I wish that two things could be included in your recommendation: One would be some better assurance that grants would not be made only on the basis of approval by the board after a reading. From the study that we have done all of the evidence points to the fact that the panels who now read applications in both the Office of Education and HEW do, indeed, only approve those applications which meet their preconceived ideas.

As you well know, we have even created a new profession of grantsmanship, and most people feel that the ones who are successful in this have a certain form which they have learned exceedingly well that brings forth the correct response from the reader and they get the grants. I would like some assurance that if somebody gets in that is of an entirely different persuasion in the educational and political arena, the whole nature of the foundation would not be changed. It seems to me a weakness of the recommendation.

Secretary **Richardson**. We would be glad. We have felt that the role of the director and the board would be substantial safeguard against the concern you have expressed. But we would be very glad to work with you and the committee staff in whatever way it seems appropriate to strengthen this assurance.

Mrs. **Green**. I would suggest the advisory panels and boards and the Office of Education have never yet been able to overcome that weakness. If you think we can do something with the foundation that would overcome that weakness we would appreciate knowing of it.

The second concern would be in terms of applications for small amounts of money. I hear, repeatedly, from people in education that if they make an application for a $10,000 grant for study the Office of Education is simply not concerned about it. They get a negative response. One of the junior college people said to me a week ago: "$10,000 to our institution would mean as much to us as a half a million dollars to a larger institution."

I personally had this experience with a group who applied for a small grant and were turned down. I said, "Your mistake was in not applying for 10 times that amount." They resubmitted the application with a larger figure and they got the amount for the original purpose.

This leads me to my second suggestion, which I would like to see built into the foundation, or at least given your consideration, Mr. Secretary. I would like to know the possibility of incorporating some mechanism that would compare with the small business setaside. Applications for small amounts of money could be considered by this group and would not have to go through the multitudinous amount of paperwork and redtape. I think there really is validity to the claims of these people that unless it is a large amount the Federal Government is not concerned.

Secretary **Richardson**. I think that is a good idea, Madam Chairman.

We have tried, I should add, in connection with smaller grant applications to assist applicants to avoid redtape by delegating responsibility to the regional commissioners of education to approve grants in amounts of $10,000 or less. This is one of its very purposes. But I think your point—I think the thought of a fund or a portion of the funds being specifically reserved for smaller applications and amounts would be a useful one.

Mrs. **Green**. Let me turn—my colleagues are coming back as soon as they answer the quorum call.

Let me turn, if I may, to the student financial aid part.

Let me quote from the president of a bank and ask your comments. This letter reads as follows:

> Some of the parts of HEW's plan are in direct contrast with accepted banking principles. Allow me to cite a few examples.
>
> First, maximum amount of loan of $15,000 or $2,000 for a 4-year is adequate for most colleges today.

I wish I had an annual loan of $1,500 when I was working my way through college.

> But also increasing the ceiling on total loans to a maximum of $17,500 is unrealistic in that it burdens the student with a great indebtedness before actually experiencing the economic realities of life.

Coupled with that statement is another letter from a student financial aid officer in regard to the amount:

> The administration's bill would also raise the maximum annual guaranteed loan from $1,500 to $2,500, allows students to borrow for a maximum of 7 years and extend the loan repayment period from 10 years to 20 years. First, we cannot conceive of any bank anywhere wanting to tie up its money for a period of 20 years, Furthermore, if a student borrows only $4,000 during his college years, with a 20-year repayment plan, the student would actually repay approximately $11,000. Can you imagine if a student borrowed anything even approaching the maximum of $25,000 for 7 years, surely we would have an absurd number of bankrupt college graduates.

The third part of it is the report that has been given to us on an informal basis from New York that the defaults in the guaranteed student loan program are increasing greatly in New York and it is their feeling that a secondary market would simply exacerbate that situation.

Secretary **Richardson**. Well, let me just say first, Madam Chairman, that the pattern we are building on for student assistance through loans is one that we think has been demonstrated as a successful one in light of the history of title II of the National Education Act. The amounts involved are amounts that, in effect, represent an updating in the light of current costs.

The student would, of course, not be required to repay the loan over 20 years. This would be an option that, in effect, allowed him to amortize it at a slower rate.

I would like at this point, with your permission, to ask Mr. Muirhead to comment further, since he has been involved, as I think you know, with the administration of the Federal end of the student assistance from the very beginning.

I seem to recall when I was Assistant Secretary of HEW in 1958, we persuaded him to come from New York State to the Office of Education in order to administer the new student assistance program under the NDEA.

He has had a very large part, as you know, in the development of these new proposals.

Mrs. **Green**. Dr. Muirhead.

Dr. Muirhead. Yes, Mrs. Green.

On the question that has been posed by the banker concerning the increase in the amount of loans available to $2,500 and the extension of repayment time, I think, of course, we should underscore that that particular loan is a loan that is subsidized by the Government and it is a loan that can be characterized only as a loan of convenience and it is expected that the student taking out such a loan would probably come from a family that found it convenient to borrow the money and they did not find it absolutely essential to do so.

Basically, that part of the guaranteed loan program, we do not really expect that very many students will avail themselves of the full maximum amount. We do not expect that very many students will continue to borrow at that level for the number of years that the loan program would permit them to do so.

We do expect that such students as do participate in that program and its maximum level would not avail themselves of the 20-year repayment clause. We have injected it in there to take care of those situations. I think these are rather unusual situations where a student and his family would incur such a debt.

I would be more concerned, just as you would be, Mrs. Green, if we had such a maximum on students from low-income families, and I would be more concerned, as you would be, if we were subsidizing loans at that level.

Now, on the matter of the loan collection rate, it is a matter that, of course, as you know, Mrs. Green, has been our concern since the start of the NDEA program. I am pleased to report to you that the NDEA program—that the collection rate in that program is improving, as we very well had expected it would, as the colleges developed more expertise in the collection process.

Our information from New York State, where I did come from and where I had the privilege of starting the New York State guaranteed loan program, indicates that the collection rate in New York State compares very favorably, Mrs. Green, with the experience of banks in collecting loans of a similar nature.

I have before me some figures that I would be glad to share with you indicating that the default rate in New York State runs to about .890 percent, less than 1 percent, that the overall default rate, including bankruptcy and death and disability is listed at 1 percent. Most commercial banks readily acknowledge that on loans of this kind that 1.2 percent default rate is tolerable.

Now, we have no evidence, Mrs. Green, to indicate that the default rate in the New York State program is growing, but, rather, the evidence we do have indicates that it compares very satisfactorily with the rates for commercial banks.

Mrs. GREEN. Let me turn to Mr. Hogan, because he is the one who discussed this with the New York people.

Mr. HOGAN. As I understand the figures you just gave, Mr. Muirhead, you were describing percentages of defaults which would apply generally?

Dr. MUIRHEAD. Yes. I was taking the report from the guaranteed-loan program in New York State as of January 29, 1971. They reported that they did have outstanding at that time a total number of loans in excess of $590 million. They report that, in terms of the number of loans that are in default status, the percentage was 0.89, and if you include death and disability and bankruptcy the rate is 1 percent.

The report also, Mr. Hogan, is that if you measure it on the basis of the amount of money outstanding, the percentage is almost the same. It is 1.1 percent.

Mr. HOGAN. In order that we might have a common basis of data in this, I should tell you what the New York group told me a week or so ago. Mr. Hollister, as you know, heads up the New York program. He said that the New York Insurance Agency was concerned about two facts: one was an increase in defaults. In other words, it wasn't just the level of the defaults but the fact that the tendency was for a marked increase.

Second, the defaults occurred in essentially three categories of loans: one was those in which you might place trade and technical schools, beauty shops, trade schools in which body-and-fender work might be taught, and defaults among such schools ranged upward of 10 percent into the twenties and 30 percent in some instances.

Particularly those institutions providing education for disadvantaged, specifically under your New York law, a New York resident, as you know, can go elsewhere and New York will guarantee his loan.

Third, an odd assortment of colleges what occurrs to me now is San Francisco State and Berkeley, in which the default rates ran in the case of Berkeley, I think, 9.5 percent and in the case of San Francisco State, 12.5.

Now, the people that talked to me, including Mr. Hollister, were not concerned immediately in the sense that they thought the program was in trouble. They were concerned about those two things; a trend toward loss or default, and the odd categorization of specific defaults. Therefore, they had come down to talk not only to us on the House side but also to the Senate committee staff, and also to your people. I think what Mrs. Green is concerned about is, that with a Government guarantee on young people's judgment, there is always the possibility of defaults, and I imagine it would be a real concern to the administration.

Do you have any comments on that?

Dr. **Muirhead**. Yes, I would be pleased to comment on that, and underscore the point you made at the very end.

The matter of the collection of these loans under the NDEA program, under the Federal program or the program which we guarantee in the States is always a matter of high concern to us, because the very credibility of the program is at stake unless we keep that constantly before us.

I cannot obviously comment on the detailed information that you have from Mr. Hollister. We will pursue that.

I would just like to reiterate, however, that this program, which is the largest program any country, by far, does have a default rate now that by almost in the standards is tolerable. We will look into the matter, however, of the particular portions of the program that have been reported to you as indicating an increase that was not satisfactory.

Mr. **Hogan**. Now, this statistic Mr. Hollister provided us was vocational schools in New York City making 10 percent of the loans now have 35 percent of the defaults. He also said that New York's banks, experience of New York banks, was if they ran into a default rate over 2 percent, the program was in real trouble. I understood Mr. Hollister to say that the New York rate of defaults generally now was in excess of three. So he was troubled. I don't think we have answers on this, but Mrs. Green is very concerned.

Dr. **Muirhead**. I cannot respond to this, but I can assure you, you have alerted our concern to it, and we will look into it and take whatever steps we can to help improve that rate.

Mrs. **Green**. May I ask you a couple of quick questions and then I believe Mr. Dellenback has a couple of questions to put to you.

Were the bankers consulted and did they approve the recommendations for the NSLA and the NDEA loan program?

Dr. **Muirhead**. I will be glad to respond to that.

The bankers, as you know, or perhaps you don't know, but when we presented the program last year in much the same form that we are presenting it this year, insofar as the establishment of the NSLA is concerned, and the moving——

Mrs. **Green**. To save the Secretary's time, Dr. Muirhead, the change in maturity rate was not in last year's bill. The provision for having the bankers keep paper on subsidized and unsubsidized loans, I do not believe was in last year's bill. Were the bankers consulted on changes of this nature?

Dr. **Muirhead**. Well, let me just correct the record for just a moment. The NDEA concept that was in last year's bill, and that we were seeking to support $800 million of NDEA-type loans under NSLA. The change this year increases it from $800 million to $1.2 billion.

Mrs. **Green**. Was it under the secondary market last year?

Dr. **Muirhead**. It was under the secondary market last year, the only way we could raise it to that level. And we added additional

$250 million this year. The adding of the $250 million, which is the principal change in the bill, raising the level of the utilization in the secondary market, that did not involve consultation with the banks, largely because we felt that it was largely a matter having to do with the colleges, because the $250 million that we are providing for additional NDEA will be administered by the colleges and not by the banks.

Mrs. GREEN. The change to 20 years, instead of 10, did the bankers approve that?

Dr. MUIRHEAD. No; the other matter of the $2,500, 20 years was not—the bankers were not consulted on that.

Mrs. GREEN. What about Treasury? Always before, we have had representatives of that Department here. Were they consulted? Did they approve the changes, and, as you people, give their signoff?

Secretary RICHARDSON. I will respond to that, Mrs. Green.

The Treasury was consulted. There was a lot of discussion with Treasury. The Department of the Treasury institutionally has not signed off on the bill. They were heard; their views were considered at some length by the Office of Management and Budget and the Office of Management and Budget concluded that the program, as presented, is sound and workable.

Mrs. GREEN. Let me pursue that later, but because you have to leave, Mr. Secretary, let me turn to my colleague from Oregon.

Mr. DELLENBACK. Thank you, Madam Chairman.

Mr. Secretary, I would like to pursue briefly two lines of inquiry, not on the Foundation, but in line with what testimony was given the other day on the general education bill caused by the Opportunity Act of 1971.

Some of us feel very strongly about the inclusion of part-time students in the student aid program in terms of community colleges and other institutions, which just call for part-time involvement. Commissioner Marland, when he testified before us, indicated that there was a desire on the part of the administration to encourage working students who were interested in doing something. Can you give us a few comments on what the position of the administration officially would be on assistance to part-time students?

Secretary RICHARDSON. Well, I think, Mr. Dellenback, we should seek to work out with you a way of doing this. We, and I think it is consistent with all of the things we have been saying about higher education or postsecondary education, we want to increase the flexibility of opportunities. Part-time education is certainly an important aspect of this.

Insofar as student assistance has a role, it is a diminished role, insofar as the other part of the students' time is likely to be involved in earning a living. Still, insofar as there is a need, I think we should try to find ways of adapting our proposal to make sure that it is met.

Mr. DELLENBACK. I am pleased to hear that. I am convinced it is desirable for us to be able to work back and forth between the administration and the committee.

Second, the other day, we had some discussion of title X of the act to which I just alluded, nondiscrimination on the grounds of sex in federally assisted programs. There has been some levity in this field in earlier testimony today; yet we all take this very seriously, and I commend you for what you have done in this regard in your own administration and in your own Department, and the reach you have come forward with in this area.

But I am concerned somewhat about the language that is in the bill, and I am wondering if you would add anything as to what the administration's policy would be relative to an institution which sought to prescribe some sort of a mix. Now, we don't have any problem with the school which has traditionally been coeducational. We have two other groups, however. We have one, the school that has had either a pure male student body or pure female student body.

On the other hand, they have the third classification a la Harvard, a la Yale, a la some of the women's colleges which have begun to take students of the sex that has not traditionally been at that school.

What would be your position, Mr. Secretary, in those areas, the second one, the one that is pure male, or pure female, or one that is moving but doesn't want to go to a full coeducational program?

Secretary **Richardson**. Well, I think this is a matter which needs quite a lot of further analysis. In general, we believe that an institution under title X must apply consistent standards for admission of men and women. We think that the clause at the outset in which it refers to sex as a bona fide grounds for differential treatment does not protect an institution once it admits any member of whatever sex that it used to exclude. The clause should apply, we believe, only to undergraduate schools.

In any case, apart from this law, we are applying the Civil Rights Act to eliminate discrimination at all levels—well, let me qualify that, now that I think of it. What we are doing really is to eliminate discrimination in employment in institutions of higher education under the Executive order dealing with equality of opportunity. This is the route we have taken in dealing with Mr. Brademas' institution, for example. As to this clause, as to this legislation, our view is that discrimination is prohibited at all levels within the educational institution itself, as applied to students.

I don't really know the ultimate answer to the question as between Harvard College and Radcliffe College, for example, whether the fact that Radcliffe girls attend Harvard classes and now get, I believe, a Harvard degree, whether it follows from this that Harvard must apply the same standards to the admission of women as it applies to the admission of men, is a question that I think has been under considerable discussion there in the context of the potential merger of the two.

Mr. Brademas is perhaps better informed.

Mr. **Brademas**. I am still not clear on what I think we are going to do, and I think this touches on a problem Mrs. Green alluded to earlier in these hearings, because it is clear to me, at least from conversations that I have taken part in, that if it were thought on the part of the Harvard authorities that, to be blunt about it, as many women could enter the place as men, I think it would have been considerably less enthusiastic for the agreement to work together more closely than was the case. It is, I think, contemplated that there won't be a sort of total open admission policy, as it were. I think, Madam Chairman, that is the problem you had in mind.

I certainly don't know what the answer is to it. Last Saturday, another place, St. Mary's, where they are working through the same problem with respect to Notre Dame—and nobody has got an answer.

Mrs. **Green**. Would you yield?

Mr. Dellenback. Yes; I will be glad to yield.

Mrs. Green. My own personal response is that there are more and more women who feel this way, that this kind of tokenism is just as objectionable as it is in racial relations. I have no objection if certain groups of people want all-male colleges, or all-female colleges, but I see no reason why Federal taxpayers' dollars should support them. If we are really going to end discrimination, Federal funds should not go to institutions that are segregated by sex any more than institutions that are segregated by race.

Mr. Dellenback. Mr. Secretary, under the language of title X, your present thinking is that that language would not move in on the approximately 154 institutions still in existence which have male students only, or the 191 which are female students only? This language wouldn't touch those institutions?

Secretary Richardson. I think, no. I don't believe that it would or should. I think that we are, with full deference to the chairman, in a period where deliberate speed needs to be applied as distinguished from an abrupt change of course.

Mrs. Green. But going beyond it into the other classifications, to be sure I understood you, in the Harvard-Skidmore-Yale type of situation, you would feel that as set by the board of overseers on the ground that they say sex is a bona fide ground for differential treatment would not be the Administration's interpretation of the second sentence of that section?

Secretary Richardson. I am not sure I fully follow the question. Let me give you an answer which may be only a partial answer, and if it isn't sufficient, you can rephrase your question.

I think that Harvard and Radcliffe, at least, there is still a distinction between the two corporate entities, and the admission process for Radcliffe students and for Harvard students is still different, and that this results in part from the history of Radcliffe as a separate college with separate facilities and administration and so on. The facilities and the endowments and so on are still there for factors which perpetuate a differentiation in the admissions approach and, therefore, admission numbers. I would not read this language as, in effect, saying to Harvard, you must homogenize the administration's process and receive and act upon the applications of women and the applications of men in the same process. In other words, as long as there is maintained the corporate distinction that still exists between the two colleges, I think they can continue to act upon admissions separately.

Mr. Dellenback. Then in the Yale-type situation, where there is only one institution, per se, that a certain number of females have been admitted to the most recent entering classes, your interpretation of the second sentence as we have looked at it so far, would be that Yale could not continue that sort of a policy?

Secretary Richardson. Well, I am not sure that I could go so far as to say that Yale must admit every qualified woman applicant on the same basis it admits men next fall, for example. This would involve a considerably more abrupt change than the process of deliberate speed which you alluded to a moment ago.

I think the whole subject of educational opportunity for women is one that deserves more attention, and I think that discriminatory barriers, and so on, should and must be aggressively broken down.

But I would be unprepared, as Secretary of HEW, in the name of this legislation to decree that Yale must admit x proportion of women.

Mr. BRADEMAS. Will the gentleman yield?

Mr. DELLENBACK. Let me say just one thing more, Then I will yield my time.

I see this as a very complex problem. Again, without seeking to avoid this, I can see an institution might look at a host of things—GPA's, of course, but also leadership and some analysis of creative abilities, and so on, which could make it possible, I suppose, for an institution to say we are going to look at all of these other criteria and although the girl might have a comparable GPA, we still aren't going to admit that girl, but we are going to admit this boy. I just allude to a few of these points as pointing out a few of these complexities. I see it as a complex one, but if we deal with this legislation the committee must have threshed through it, so we have our own understanding back before the administration and the committee as to what is intended in any final language, in any bill.

I yield back.

Mrs. GREEN. Congressman Brademas?

Mr. BRADEMAS. Thank you, Madam Chairman.

In view of that, maybe I ought to get busy and draft an emergency sex act, desegregation act of 1971, analogous to his proposal and other area.

Secretary RICHARDSON. I will be glad to collaborate with the distinguished Congressman from Indiana.

Mr. BRADEMAS. I just have one question to put to the Secretary, which goes back to the Foundation. I will just make a couple of statements and then invite your comment.

I will make this observation also because a distinguished member of the Newman Commission is here, Bill Cannon, whom we know from times past in this committee. I must say I thought the Newman Commission report was an extremely good one, in outlining some of the justifications for innovation and reform in higher education. I think it is enormously useful and its authors are to be commended. It comes along fortuitously and has clearly been seized upon by you as HEW as validating your argument for a national foundation. I don't mean for a moment to suggest that it was so planned, because I don't think it was as I view the chronology of it.

But I would observe that it might well have been the case of your predecessor to name a group to look into the need for reform in elementaryand secondary education, or in career education or in intra-development. Most particularly I should have thought in the elementary and secondary field, this involves so much money and such a wide variety of problems in this country.

I have the impression we went through this a little yesterday, but now we make the point to get any further comments you may have. I am of the impression that the reason, or one reason you justify the Foundation is that a year ago somebody thought up the idea of a foundation, that it had a certain merit and although it is a considerably different structure and purpose in March 1971 than was the case a year ago, which invites I think, closer scrutiny on our part, that you are, in effect, supporting it strongly without having taken adequately into account that perhaps an even more compelling case would be made. I don't know. That is what I invite your comments on, through a commission to look at reform, let's say, elementary and secondary education. All of us have books all over our desks in the need for doing something about elementary and secondary education. The answer we had yesterday was an appeal to history; namely, well the system in higher education is more diverse than the elementary-secondary which I must say I didn't quite understand. Therefore, we have a case for reform in higher education but not so much a case for reform in elementary and secondary.

Do you understand the point of my question?

Secretary **Richardson**. I would just comment briefly. Perhaps the Commissioner would like to supplement this.

I don't think we are unaware of the need for innovation and reform in elementary and secondary education. Certainly, the proposed National Institute for National Education insofar as it develops new knowledge and funds experimentation will develop approaches to reform in that process. But in addition to that, there is the point to be made that we do now have in Title III of the Elementary and Secondary Education Act a major program under the Administration of Office Education which is aimed already at innovation. It is currently funded at the level of about $140 million. It is supplemented by part D, Vocational Educational Act, which is aimed at exemplary programs and projects. There is no real counterpart of either title III of the SEA or part D of the Vocational Act for Higher Education.

Mr. **Brademas**. Well, I wouldn't take time now, Madam Chairman, to pursue that analysis, because I think there are very important differences between the title III SEA program and the amount of money, and the changes before it, and the Foundation program. I could well conceive that you could have, using your own model, a foundation for elementary-secondary education to which school systems and others could turn, and in all candor probably get a lot more encouragement and support for helping improve their situations.

Secretary **Richardson**. Well, I do think, Mr. Brademas, perhaps this is a pertinent further observation. Generally speaking, I believe that funds for research and development should be granted on a project grant basis and, by and large, project grants should be administered by a Washington office which has in view the whole panorama of research and development nationwide. For distinguishing true R. & D. from exemplary projects that are designed to encourage the wider adoption of a tested approach, we would visualize that under the proposed special revenue-sharing program, a substantial percentage of the total amount of funds would be available to the Commissioner to be used for the funding of new projects of an exemplary character, as distinguished from the kinds of projects of a more basic research, oriented, that would be funded through the NIE.

I have quite recently become aware of what I think is a real distinction between true R. & D. and what I have just referred to as exemplary projects. I, for example, spent Friday evening, in New York last week with the director and some of the teachers of an open classroom project in public school 92 in the Bronx, and it was a very exciting and interesting evening listening to people who were engaged in a very successful experiment. But it wasn't, from their point of view I think, and probably not from the point of view of most educators, a project that could be characterized as research directed or toward the testing of a novel hypothesis. It was really an open classroom of a kind that has proven successful in many places.

The exciting thing about it was that this group of classrooms were the only classrooms of their kind, at least in that district, and the New York school system, so they were having a kind of impact on the area that was valuable for its own sake, even though it didn't add to new knowledge.

Now, that kind of project is within the field of elementary and secondary education, the kind of thing we would like to fund through the foundation in higher education, and it is the kind of thing we would like to fund also through the funds available to the Commissioner in the special revenue-sharing program.

Mr. BRADEMAS. Thank you very much.

Mrs. GREEN. Thank you.

Off the record.

(Discussion off the record.)

Mrs. GREEN. On the record.

Mr. Secretary, we are very grateful to you for being with us. We know you have a busy schedule and if you would like to leave, please feel free to do so.

Secretary RICHARDSON. Thank you very much.

Mrs. GREEN. I am going to ask a question of Dr. Muirhead, and then I think we must adjourn, because we have a debate on the floor.

One letter received from a student financial aid officer reads:

> We have serious reason to question a statement made by the Executive Deputy Commissioner Peter Muirhead, in which Mr. Muirhead stated that the new plan would benefit about 1 million more students than are now receiving aid. Mr. Muirhead explained 800,000 or 900,000 college students who are not receiving aid would receive aid under the new program. He also stated 300,000 students who are presently receiving aid would not pass the Needs Test proposed in the new plan for subsidized aid.

It continues:

> But if 300,000 students who presently passed the Needs Test could not pass one under the President's plan, what is its worth, is the President speaking of 300,000 students who are presently on aid through financial aid officers or is he referring to students who are presently on bank loans? It is well known that the bank loan program in its present form may buy more courses in college education; however, if he is referring to the students who are presently being aided through financial aid officers, we seriously doubt that 300,000 students who are now receiving aid do not need that aid in order to continue their college educations.

Dr. MUIRHEAD. Yes. Madam Chairman, and if I may have the privilege, before responding to your question to seek to change some information I provided you a short time ago, when you asked the question about the American Banks Association, may I seek to change the record on that?

Mrs. GREEN. Surely.

Dr. MUIRHEAD. I have now been informed, Madam Chairman, that the American Bank Association was indeed consulted on the matter of the 20 years and the $2,500 maximum, and Mr. Chris Cross, the Deputy Assistant Secretary for Legislation, reports to me that they were consulted and they indicated that they would accept it but, in all candor, I must report to you that they also indicated that they would not warmly endorse it.

Mrs. Geeen. Did they indicate whether they would warmly participate, which is the heart of the question?

Dr. Muirhead. They indicated that they would accept it and we assume by that, by accepting it, that they would continue participating in the program.

The matter of the $2,500 maximum and the 20 years was within the bill last year as well. So that that was not a change this year, and I had recorded to you that it was a change and I would like to correct that.

Now, with regard to the letter which you shared with us, the excerpts from it, the 300,000 students referred to in that letter were students who are now receiving help under the guaranteed student loan program, and they represent that part of the guarantee of student loan programs that supports students from high income families; 300,000 are not included in the students receiving support under the NDEA, the Opportunity Grant and the College Work Study, but rather the upper level of the guaranteed student loan program, who are now receiving some benefits, as you know, not exactly the same as NDEA, but nevertheless, benefits. We have, I think, reported to you also that middle-income students who continue to receive benefits under the plan that we have presented to you, and that that income level would go up as high as $14,000, perhaps $15,000, depending upon the size of the family. But the 300,000 referred to in the letter represents the upper-income level of support under the guaranteed loan program, as it is now operating.

Mrs. Green. Before you made the recommendations for change, did you do a study of the income level of the people who were now receiving aid?

Dr. Muirhead. Oh, yes; and we have rather elaborate statistics on that, indicating the income level of people receiving aid under the Opportunity Grant program, the College Work Study program, the NDEA program, and the Guaranteed Student Loan program. We would be glad to provide that type of information for your consideration.

Mrs. Green. I am trying to recall a conversation with one of my colleagues in which I was advised that in a well-known university, 65 percent of those receiving aid were above the $10,000 income level. If you draw the line at $10,000, these people would be without any assistance.

Dr. Muirhead. Well, I, of course, don't know the university you are referring to, but I would like to state again that I think we have not really been as exclusive as we should have been in discussing the $10,000 family income. We are talking about support that will go to students coming from a family earning $10,000 in an average family. But in actual fact, the support under the proposal before you will extend to many, many students coming from families earning as high as $14,000, and $15,000, families that have two, three, four children, and perhaps higher than that if they have more than one in college.

Mrs. Green. Thank you very much, Mr. Commissioner.

Dr. Muirhead. Thank you very much.

Dr. Marland. Thank you.

(Whereupon, the hearing adjourned at 12:15 o'clock p.m.)

HIGHER EDUCATION AMENDMENTS OF 1971

MARCH 24, 1971

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The Special Subcommittee met, pursuant to recess at 10 a.m., in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the Special Subcommittee) presiding.

Present: Representatives Green, Brademas, Quie, Dellenback, Erlenborn, and Esch.

Committee staff present: Harry J. Hogan, subcommittee counsel; Robert C. Andringa, minority legislative associate.

Mrs. Green. The committee will come to order for consideration of the legislation having to do with higher education.

This morning we are turning to those parts of the bill relating to library services, I will turn to our friend and colleague from Michigan, Congressman Esch, to introduce our first witness.

Mr. Esch. Thank you, Madam Chairman.

I am pleased to introduce to the group Edmon Low, who is from the University of Michigan. Not only does the University of Michigan have such an outstanding record in terms of library work, but Dr. Low personally has been a leader in the national librarian movement. Dr. Low is here representing the American Library Association.

They say sometimes, Madam Chairman, librarians are not activists.

That has been an historical precept. I think this committee, for one, recognizes that is no longer true at least on the national level, and more and more on the State level. Dr. Low will witness today to the fact that librarians more and more are activists, and we take this opportunity to welcome you to the committee, Dr. Low.

Mrs. Green. Dr. Low, may I extend my welcome also. You may proceed as you wish.

Dr. Low. Thank you, Madam Chairman, and thank you, Representative Esch, for those very kind words.

I am an activist, but I have not laid any bombs as yet that I have discovered.

In order to conserve time and allow time for questioning, and ample time for other witnesses, with your permission, I would like to file my entire statement for the record, but read only a part of it.

Mrs. Green. Thank you very much.

Without objection, the entire statement will be made a part of the record at this time.

PREPARED STATEMENT OF EDMON LOW, PROFESSOR OF LIBRARY SCIENCE ON BEHALF OF THE AMERICAN LIBRARY ASSOCIATION

Dr. Low. My name is Edmon Low. I am professor of library science at the University of Michigan in Ann Arbor and, prior to that, was for 27 years director of libraries at the Oklahoma State University at Stillwater.

I am testifying today on behalf of the American Library Association, a nonprofit educational organization of more than 33,000 librarians and other public-spirited citizens who are committed to the further development of the Nation's libraries as a fundamental factor in its continued educational, economic, scientific, and cultural progress.

The association represents the interests of libraries of all types established to provide quality library service to meet the needs of people from all walks of life.

The bills before this subcommittee are of particular concern to us insofar as they would affect the development and functioning of college libraries, including those at community colleges and university libraries, which are invaluable national resources for scholarly research and teaching.

The legislation that is pending before you would also affect the training of librarians, the support of library research and demonstrations, and the unique services performed for all libraries by the library of Congress.

I should like to observe first that—just as the public library serves the entire community—the college library serves the entire institution, all of the student body, the whole research-teaching-learning community of higher education.

When Congress assists in the development of college and university libraries, it is promoting the progress of every scholarly discipline and every field of research and learning.

Indeed, the scope of the library and the capability of its professional staff are reliable measures of the standing of the institution as a whole.

For this reason, strengthening the library is by no means a matter of narrowly categorical legislation. Federal assistance to college libraries is quite different from strengthening institutions of certain types or of one discipline or another in higher education.

To the contrary, assistance to libraries in higher education is perhaps much closer to general aid to higher education than any other program of Federal assistance, with the sole possible exception of student financial assistance.

Before I discuss the specific bills with you, I should also like to mention that higher education, as you know, is today in a period of constructive ferment.

The community college movement continues to grow apace. In many older institutions, the curriculum is being overhauled as black studies, ecology, social change, and other new subjects are offered.

These developments, of course, require provision of new libraries for the new institutions and of special collections of library materials for the institutions that are offering new courses.

More and more college students are in "honors" or other programs that permit them to study independently instead of following the centuries-old system of mass lectures and mass textbook reading.

Many colleges are considering the enrollment of students, especially adults, who will study for the most part at home or with the aid of television, coming to the campus only rarely.

All these innovations, whether under way or contemplated, are predicated upon a much heavier reliance on the materials found in the library and the skilled assistance of the professionally trained college librarian.

With respect to the specific bills before the subcommittee, H.R. 32 and H.R. 5191, we find praiseworthy elements in both of them.

We are assured that the sponsors are aware of the importance of strengthening the libraries of higher education, are well informed of the problems presently faced by college and university libraries, and are agreed on the necessity of extending the pertinent provisions of the Higher Education Act of 1965.

On the assumption that the subcommittee, as in the past, will wish to draft a bill synthesizing the elements of those that have been offered, we submit a few suggestions.

I should like to address you first this morning concerning the proposed revision of title II–A of the Higher Education Act providing for college library resources.

This has been a most significant program over the past few years for this group of libraries.

There are now some 2,200 institutions of higher education in this country, about half this number being junior colleges. Of the remainder, most are smaller colleges; in fact, if I were to subtract 400 from the total group—an average of eight schools to a State—all the remaining 1,800, or some four-fifths of the total, would be smaller institutions as compared to the big universities.

Because these are smaller schools and often with limited resources, however, does not mean they are not good institutions of higher education.

In fact, it is my belief that some of the most meaningful education in the country is being done in these institutions, and that the junior college area in general is now probably the real frontier in higher education.

With the advent of this college library resources program, for a basic grant of $5,000, which was matched by a like amount of local funds and with a requirement of a maintenance of effort, libraries were permitted to move ahead as never before; it has, in truth, been a real renaissance movement in a large majority of college libraries in this country.

Not only have books been bought in significant quantities but also, greater interest has been generated in, and attention been given to, the library by the administration of these schools, resulting not only in upgrading of staff but also in erection of new buildings to provide better library services overall.

These grants now assume a greater influence than ever before because of the increasingly difficult financial plight of institutions of higher education in general.

There is hardly an institution anywhere these days from the smallest college to the largest university which is not caught between the hammer of rising costs, increased demand for faculty salaries, and need for additional facilities, and the anvil of stationary or decreasing revenues from State sources or from private donors.

In such a squeeze, library materials are often the first casualties. Some mistakenly believe buying books can be postponed for a year with the hope of better provisions in the future which often never come.

The possibility of Federal aid to be matched by local support provides the library with the necessary persuasion, and the president and the administration with good reason to continue a viable library program.

The supplemental grants provided additional money in amounts very significant to larger institutions as well.

Dr. Wagman of the University of Michigan tells me the money from this program was sorely missed last year, and is needed even more this year for support of special programs.

Special purpose grants are also making a substantial contribution to the academic community.

As of now, some 50 new community colleges are being established each year.

A particular need exists for special assistance for libraries in these newly established institutions as well as in branches, and in areas of special activities, such as cooperative ventures, networks, and so forth.

In order to provide comprehensive data for the use of the committee on the impact of these grants, a questionnaire was sent recently to some 2,200 institutions of higher education.

To date more than 1,000 replies have been received, representing all 50 States and all sizes and types of institutions.

I cite only a few of the replies we have received:

Kansas State College reports that its basic and supplemental grants "have been the only way our insufficient budget could be stretched to cover purchase of basic resources in conversion from teachers college to liberal arts" and that these funds also "helped to meet basic needs of a growing graduate division."

Lehigh University in Bethlehem, Pa., reports that its title II–A grants "materially assisted in supplying our needs in the area of Black Studies and Urban Affairs."

Northeast Missouri State College in Kirksville reports that its grants "woke up faculty and administration as to what quality library service is" and enabled them to purchase essential research materials to strengthen existing programs.

The University of Michigan reports that its library is the resource library for the State.

The State department of education provides funds for the staffing of a State access office in our library through which we provide interlibrary loans to all public and academic libraries in Michigan. All faculty members of institutions of higher education have faculty borrowing privileges in our libraries and use them as a research resource. We are expected to maintain and develop the research collections for these services. The grant money under HEA II is very helpful in this connection.

Adrian College, also in Michigan, state that, "during the last 4 years their faculty has become 50 percent Ph. D. Their requirements and curriculum improvements have been met to a great extent by assistance from title II funds." In the past 6 years, they have been able to "double their book and periodical holdings."

The University of Minnesota reports that it has the only major research library in the State, and is expanding services to other academic institutions. "Because of its uniqueness, it is essential that the university library obtain necessary resources for the services required in its statewide responsibility."

The College of Saint Catherine, a neighbor to the University of Minnesota, explains that it is a member of cooperating libraries in consortium seven colleges and one public reference library).

Through this group we provide courier service for free exchange of materials, walk-in privileges of borrowing; extension to the public and university on request and with identification. These demands can be met to a greater extent because we have had these additional funds. Even with these again part of our cooperative responsibilities, although current subscription rates are from our regular budget.

Portland Community College in Oregon states that: Sheer numbers necessitate additional titles and duplication in order to serve the educational needs. Grant money enabled the purchase of materials for branch libraries, which serve as community centers. One branch in particular is located in a disadvantaged area, and serves the drop-in student. The emphasis on vocational retraining makes mandatory the availability of nonprint materials for use in such programs. Specifically, Federal aid can partially answer these needs; local funds are not sufficient for the purposes.

The hundreds of other replies give overwhelming evidence of the value of these grants and the need for their continuation.

For the hearing record, I would like to include a compilation of some of the more pertinent comments.

EXCERPTS OF REPLIES FROM COLLEGES AND UNIVERSITIES ON THE IMPORTANCE OF HEA TITLE II–A

This survey showed very clearly that Federal funds are of vital importance to the libraries of this country's colleges and universities.

Hundreds of institutions across the country have indicated that they cannot provide adequate service without Federal funding.

Calling these title II funds "marginal" does not change the reality of the situation.

We need the money to keep up an adequate library program. Without this help, many small colleges will find themselves in severe accreditation and financial trouble.

Millsaps College, Miss.

Our collection was very deficient in the areas of the sciences, sociology, history and periodical coverage. With the aid of Federal grants we have been able to bring these up to a creditable standard, although there are still serious gaps in some areas.

Ferrum Junior College, Va.

Our campus has been able to afford a basic budget of only $20,000 for an enrollment of over 9,000 students. The grant is badly needed for the simple expanding to a book collection to meet our needs.

American River College, Calif.

The importance of ecology and minority interests must be recognized and dealt with by community colleges. However, our budget will not be able to provide for coverage of these two areas.

Community College of Delaware County.

We are the only institution of higher learning in a radius of 150 miles. We need the Title II funds.

Pikeville College, Ky.

We need much more in the areas of special education—mental retardation, emotional disturbances, and perceptual handicaps. Student enrollment has increased, and library support of the programs is essential.

St. Joseph's College, Pa.

Federal funds represented an additional 15–20 percent in the library book budget in the years we were funded, 1967/68 and 1968/69. For a small, growing library at a small college which is upgrading its academic program, such Federal support has been invaluable.

New York.

Title II funds have been a tremendous help contributing 15 percent to our total for books and periodicals. With the matching funds Title II would have been responsible for 30 percent.

Pennsylvania.

Grant funds equaled one-third of institution book budget. Without this additional fund supply, we could not maintain an adequate purchasing program.

South Dakota.

We are a new small college with very limited funds; and have depended on Federal funds for up to half of funds available for library building in all areas. Since we started from nothing only five years ago to build our 24,000 volume collection, this is by no means insignificant. We have purchased practically our entire education, economics and international relations collection with these funds. They have served as the core of our library budget and collection building plans.

Nebraska.

Our college is small, therefore the book budget is small. The basic grant made it possible to purchase materials needed for the library even if the enrollment is small. In previous years when the basic grant was $5,000, that almost doubled the budgeted book fund.

North Dakota.

As a new library at a new campus we have found these funds are a significant factor in building a basic collection.

Ohio.

Over the past five years, they have transferred the amount of money available to us for library materials from a sub-minimal level to an adequate level at the time of our largest grants. Now that the grants are diminishing, we are facing a serious crisis. During the peak years, two or three years ago, our available funds were doubled by the Title II money.

Texas.

Any careful look at library budgets would reveal that Title II funds help offset inflationary effects on the number of items purchased, helped to keep the colleges from increasing book deficits during a time of increasing enrollments and helped those of us struggling in the private colleges to maintain decent budgets. Our college received over $50,000 in five years which generated another $22,500 in matching funds. This amount almost doubled our budget.

West Virginia.

Before these funds were available, the library budget was $2,000 for books, periodicals and binding. These funds and matching funds increased the library budget to $10,000 for 1966/67–1969/70 and to $7,500 for 1970/71. This money has made the difference between a few books in a building called a library and the beginnings of a real library.

Texas.

Because of the serious financial difficulties of private colleges, it will be very difficult for the college to appropriate funds for the library budget of such amounts that would enable us to keep abreast of current publication, as ~~well as~~ older works that we still lack. Federal funding is desperately needed.

Pennsylvania.

Funds spurred administration to take greater interest in library development.

California.

Stimulated administration to provide annual library materials budget of $21,000 currently as opposed to $15,000 before Title II, in spite of decline in enrollment and tighter budget.

Alabama.

We have consistently used our Federal grants to strengthen weak areas and to expand rapidly in areas which suddenly explode as social issues. It is only with grants such as this that a library can hope to accomplish what, under ordinary budgets, might take several years.

Minnesota.

We are a new college and have had to build our whole periodical microfilm backfile. The grants have done all this for us.

The reference value of the complete files of the New York Times (on microfilm) to all departments on campus cannot be calculated.

Virginia.

We would undoubtedly have survived without it (Title II money) but the quality of instruction wouldn't have improved to where it is today. Audiovisual aids were purchased to improve the quality of instruction in the classroom, primarily in vocational courses.

Washington.

Provided auto-tutorial programmed material to be used by handicapped students.

California.

Title II funds and the matching funds have enabled us to set up an outstanding A–V department with small learning centers throughout the campus.

North Carolina.

Establish collection of reproductions of art masterpieces for loan to students.

West Virginia.

Permits increasing size and scope of A–V holdings to provide for individualized learning as well as classroom situations.

Oregon.

$1,000 in supplemental funds established a basic recordings collection.

Pennsylvania.

Fill faculty requests to support new classes offered such as recent "environmental living" class.

Oregon.

Purchase of desperately needed library materials has enabled us to provide materials for new training programs in fields of nursing, other health sciences, data processing, and developmental reading.

North Carolina.

The funds have been extremely useful, as they have enabled the library to acquire research material in support for new programs such as several Master's of Art programs and new four-year programs such as Nursing and Business Administration.

Pennsylvania.

New program in vocational education and training for licensed practical nurses have been instituted, and basic supporting materials for these programs have been provided by the library.

Nebraska.

Have purchased reference books which . . . have made our collection at least 300 percent more valuable and usable. The Title II funds have generated more funds from our own budget sources in order to qualify for Title II funds.

Michigan.

Our school district is severely pressed financially—millage is limited by law. In the past, Title II money has equalled 40–75 percent of our local funds. The last Title II grant was less than half of previous amount and is approximately 25 percent of the fund budgeted locally. We use Title II to supplement our general collection which is below minimum standards.

Iowa.

When the Higher Education Act of 1965 was passed this library was extremely deficient in number of volumes. We are still deficient, but with use of II–A funds to strengthen our collection, I feel we now have a collection to begin to be proud of. We are no longer Po-dunk!

Tennessee.

Title II funds enabled us to improve our curriculum laboratory holdings so that they received NCATE approval; the money also has helped bring our reference collection up to North Central Association standards. In both cases, there was not sufficient money in the regular library budget to take care of these very specialized needs.

Nebraska.

The funds help us to add needed materials in the library to further the work of the Career Opportunities Program, a program in which the College cooperates with the Racine Unified School District in preparing teacher aides.

Wisconsin.

Federal funds for resources have been concentrated into areas where other funds were unavailable. Over the past few years, therefore, this institution has been able to build its collections of public documents and other research materials far beyond what could have been accomplished with State and local funds alone. Most appropriated funds from the State are desperately needed in support of existing degree programs, while Federal funds have enabled the library to strive for excellence in certain areas. Excellence in collections benefits all—students, faculty, and members of the community.

Texas.

In the light of the foregoing, it is hard to understand the administration's claim that the basic grants have had only "marginal effect."

Regulations issued recently by the U.S. Office of Education in connection with applications for fiscal year 1971 grants indicate that basic grants will not be awarded unless the applicant institution also applies and qualifies for a supplemental grant.

It is estimated that the number of colleges receiving grants would be reduced from 2,200 in the last fiscal year to some 750 in the current fiscal year.

We consider this new policy to be a distinct violation of the intent of the congressional enactment, which provides that three-fourths of the appropriation for title II–A be used for basic grants.

In the light of the above, we therefore urge that title II–A be continued in the Higher Education Act, and that:

1. Basic grants of $5,000 be provided with requirement for matching with a like amount of local support, and that such grants have first priority on money appropriated under this title.
2. Supplemental grants be provided for larger libraries with an allotment of money by some simple mathematical formula such as enrollment.
3. Money for special purpose grants be provided, not to exceed 25 percent of the total appropriated. Maintenance of effort and one-third matching be required.

I wish to turn now to title II–B, which provides for library training and research.

Until this year, the money appropriated for training in library and information science had been divided between fellowships and institutes for use by library schools. In fiscal year 1971, fellowships were greatly reduced, and are being abandoned altogether next year in favor of institutes, except for the few doctoral fellowships for which a commitment had already been made.

This is a major blow to library training, and library schools everywhere are greatly concerned.

You have heard, of course, that there is a general surplus of teachers. However, a recent survey by the National Education Association found that applicants are in short supply in several specific fields, one of which is elementary school librarians.

In the universities, the availability of Federal fellowships has attracted to the schools of library science many talented students with undergraduate or even graduate degrees in the sciences, engineering, business administration, and the social sciences.

As they earn their graduate degrees in library science, and enter the profession, these students are making an extremely valuable contribution.

Fellowships are particularly helpful in the case of students who could not otherwise pursue graduate training.

The dean of the School of Library Science at Atlanta University has called the continuation of title II–B fellowships "a very urgent need" because this private, predominantly black institution would otherwise be unable to prepare librarians to work with disadvantaged children and adults in school, public, and academic libraries.

This is an age of computers and of a galaxy of new equipment and techniques for the storage, retrieval, and dissemination of information.

The future leaders of the profession will need to know more than ever before, and we will need more of them than we now have.

Reducing the library graduate fellowship program at this time would be akin to eating our seed corn, we believe. Instead of reducing the program, it needs to be continued and strengthened.

The Library Education Division Board of Directors, meeting in Los Angeles during the midwinter conference on January 18, 1971, passed unanimously the following motion:

> That the Library Education Division go on record as urging strongly that a program of professional graduate library education and training be continued under the Higher Education Act, title II–B, with explicit provision for fellowships, scholarships and continuing education, for adequate support for participants and institutions in all three phases of the programs, and for greatly increased funding.

With your permission, Madam Chairman, I would like the record to show at this point some of the replies we have received from the colleges and universities to our request for information about the impact of the fellowship and institute program under title II–B.

EXCERPTS OF REPLIES FROM THE LIBRARY SCHOOLS ON THE SIGNIFICANCE OF HEA TITLE II–B TRAINING FUNDS

The Library Schools are still having difficulty in locating faculty members who hold the PH.D. degree. I believe this situation will exist for the next 10-15 years, as a number of those who presently have the degree will be retiring.

University of Southern California.

We continue to receive inquiries about availability of Title II–B Masters' Level Fellowships, particularly from highly qualified persons. Though institu-

400

tional support for financial assistance has been steadily increased, these funds do not permit the awarding of both tuition fee grants and stipends of such amounts to attract the applicants who are strongly competed for by other professions. We feel the discontinuance of Master's degree fellowships will have an unfortunate effect on maintaining high quality library school student bodies, necessary for the functioning of education process at the most desirable level.

Moreover, we feel, the long-range effect on librarianship of loss of this support will be serious, eventually affecting adversely the quality of library service received by the American public.

Emory University, Ga.

We will probably lose all of our full-time Ph.D. fellows, as it is very hard for students to spend three full years in school (after the Bachelor's degree). As a result it will prolong the period of study for candidates who can attend on a part-time basis only and we will be unable to recruit candidates into this field since salaries later never really repay the financial investment.

University of Southern California.

The doctoral program will be almost completely destroyed.

University of Berkeley, Calif.

Serious curtailment of ability to attract some of the best applicants, because of cost of training. Will especially affect the disadvantaged applicants.

Catholic University, District of Columbia.

This is a predominantly Black library school, and 90 percent of the Black students who apply can only enroll if they can secure substantial financial assistance. The cutback in HEA Title II–B training funds will stop the flow of high calibre Black students in the Atlanta University School of Library Service. With the present economic conditions in the Country, the matter of financial aid for Black students is more acute.

Atlanta University, Ga.

It will seriously reduce our ability to attract outstanding students.

University of Illinois.

In light of rising educational costs, the elimination of the Fellowship Program at the masters level will severely limit our ability to recruit graduate students, particularly those from minority groups, on a competitive basis. At the doctoral level elimination of the Fellowship Program will vastly diminish both the size and quality of the pool of available talent to fill anticipated teaching vacancies in this school.

Simmons College, Mass.

Very few, if any, doctoral students will be able to attend the University on a full-time basis. Instead of being able to complete the degree in three years, they will require from five to ten years. Those with heavy family responsibilities will not be able even to begin doctoral study. At the Master's level, where out-of-state tuition alone amounts to over $2,500 for the year of residence required, dozens of students from low-income families, especially Blacks, will be unable to attend library school. None of the four Blacks currently receiving Title II–B fellowships (2 Master's and 2 Doctoral) would be enrolled without these fellowships.

University of Michigan.

A new doctoral program, authorized for fall, 1970, can probably not be successfully launched. At the master's level, we will lose highly desirable students to other schools of other subject fields.

North Texas State University.

It will keep many worthy young women (some widows with children) from attaining a professional degree and thereby be able to support themselves and family.

Texas Woman's University.

The institute program which may be required to be highly specialized may not serve adequately to prepare librarians who are entering the profession for positions of leadership in broad areas of librarianship. It may be difficult to recruit new people to highly specialized programs before they are certain of the areas of specialization they wish to pursue. The Institutes are valuable to provide various degrees of specialization after librarians are generally prepared for the profession and have had some experience and know better their interests and capabilities.

Atlanta University, Ga.

The Institutes have afforded us an opportunity to update alumni and practicing librarians in our area on new developments. They do not, however, make as fine a contribution to the profession as do the fellowships. We have recruited outstanding people for fellowship awards. In our recruiting we have been conscious of selecting students who show creativity and adaptability. In many cases they had a particular orientation toward working in library situations which make a contribution to the disadvantaged.

Rosary College, Ill.

While institutes have served a useful purpose in the area of continuing library education and have on occasion served as a recruitment device, they have not served to attract a substantial amount of new talent to the profession. The present Insitute program does not seem to be designed to attract talent to the library profession, but rather to provide library careers for individuals who lack the academic qualifications to attend institutions of higher education. A fellowship program designed in whole or in part to recruit qualified members of minority groups of library schools would be much more worthwhile than the Institute program.

University of Michigan.

It should be noted that accredited library schools operate in a different setting to most other graduate schools in that they have no undergraduate training programs.

They require a bachelor's degree for entrance. This is because they believe their training must be undergirded by a sound and broadly based education in the liberal arts.

They thus try to attract the most capable students they can upon graduation from the various disciplines in the natural and social sciences and the humanities, but it is these very same able students whom the professors in each discipline (for example, mathematics, biology or history) are urging to go on to graduate work in their fields, and usually they can offer either a fellowship or a position of a teaching fellow for undergraduates, an option that the library school does not possess.

Therefore, without fellowships, a library school is at a serious disadvantage in attracting quality students for its work.

We would prefer to see the legislation approved by this committee continue authority for fellowships or traineeships as well as short-term and long-term training courses.

Both are needed.

Libraries are making good use of paraprofessional aides, and they need training, of course.

Professional librarians need in-service training, particularly to enhance their competence and to keep abreast.

Fellowships are vital because they assure, not only the future leadership of the profession, but also the faculties of the library schools that offer the training supported under the bills that are before you.

Our recent survey found there are 232 librarian positions that are budgeted in the academic field alone for the 1971–72 year that are expected to be unfilled because of the shortage of qualified people.

We have received replies from 35 of the 47 graduate library schools in the United States.

The schools indicate that they could use to good advantage funds for 924 master's degree candidates, 140 post-master's students and 189

Ph. D. candidates who are in need of financial assistance.

When asked which program they would like to see receive any additional funds that Congress might appropriate for library training, all but one of the 35 institutions responded that fellowships should be emphasized instead of institutes.

Under the present legislation and appropriations, the USOE has been able to fund little more than one-third of the fellowships for which library schools have applied.

Our survey also indicates that the library schools have responded to the national needs emphasized by the administration and Congress. Half the schools have earmarked some of their fellowships for members of minority groups, and several are now offering courses dealing specifically with library service to the disadvantaged.

Two-thirds of the library schools offer courses with a primary emphasis on reading improvement. Several others offer courses with respect to environmental education and drug abuse education.

We also view with much concern the proposal to remove part B from the Higher Education Act and place it as part G of the Education Professions Development Act, which is administered by the Bureau of Educational Personnel Development.

This proposed change would not only remove library training from the Bureau of Libraries and Educational Technology but also from the area of Higher Education to the area of Development.

We can see no practical advantage, and several disadvantages, in shifting a graduate program to a Bureau where no gradaute programs are now administered.

We therefore urge, in connection with library training, that most serious consideration be given to the advantages of retaining Part B in the Higher Education Act with explicit provisions for fellowships as well as for institutes or other aspects of continuing education.

We would also like continuation of the research authoritiy under part B of title II. We are aware that library research could probably be funded by the Office of Education or other agencies under statutes, but we fear that the importance of this work may be overlooked in the administration of broader programs, just as we fear that the library fellowship program may be overshadowed if it is included in the Education Professions Development Act.

The college and university libraries constitute an invaluable, irreplaceable national reservoir of knowledge that is utilized throughout the country through a growing network of interlibrary loans, exchange of bibliographies, and other means through which information is shared.

They are closely interrelated. Strengthening one ultimately strengthens all.

For this reason, we strongly support continuation of part C, strengthening college and university library resources, of the existing law which authorizes the program of the Library of Congress for acquisition and cataloging, in behalf of college and research libraries, of valuable library materials currently published throughout the world.

We also favor authorization of increased amounts of this program. There is an exponential increase in scholarly publishing throughout the world which dictates that the size of the collection, in many fields, must be doubled every decade merely to keep abreast of the literature.

To slacken the library's acquisition of the growing literature will diminish the usefulness of its collection because its relative scope will be reduced.

The Library of Congress program is vitally needed as a complement to the support available in the form of basic, supplemental and special purpose grants.

In accordance with the provisions of title II–C, the Office of Education has funded this program since fiscal 1965.

In December 1970, however, the Office of Management and Budget directed that the program be removed from the HEW budget and be funded directly as part of the Library of Congress appropriations.

The Librarian of Congress subsequently included this item in the Library's appropriations request for fiscal year 1972 in order that this important program could continue.

Because of this development I would like to suggest that title II–C of the Higher Education Act be amended by striking the words "to enable the Commissioner to transfer funds" in the two places that these words appear.

The authorization would then provide that the sums would be appropriated to the Library of Congress for carrying out the purposes of the act and funds for the program would hereafter be included in the budget of the Library of Congress.

At this point, may I request that the resolution on higher education adopted by the Council of the American Library Association on January 22, 1971, be made a part of the hearing record.

RESOLUTION ON HIGHER EDUCATION

Whereas, High quality post-secondary education is recognized as an essential element in the development of an informed populace, and

Whereas, The creation of new and the further improvement of existing academic libraries is a necessary component in maintaining high quality post-secondary education, and

Whereas, Title II–A of the Higher Education Act of 1965 has been of great value in aiding small and large academic libraries to improve the quality and quantity of resources available to students and faculty, and

Whereas, Title II–B of said Act has been of great benefit in preparing library school faculty and graduate librarians through fellowships and scholarships to serve the public in all types of libraries and has provided opportunities for continuing education through institutes, and has further supported research efforts of significance to the development of library service, and

Whereas, Title II–C of said Act has assisted in the speedy and relatively inexpensive dissemination of bibliographic information to research libraries, and

Whereas, Other Titles under this Act are of significant usefulness to libraries in institutions of higher education,

Now, therefore, Do we the American Library Association urge 92nd Congress to enact promptly, with appropriate improvement, a five-year extension of the Higher Education Act of 1965, so that the various publics served by academic libraries and by the librarians trained under this Act may continue to receive the benefits of improved library service through the provisions of the law, scheduled to expire June 30, 1971.

In summary, we urge the extension of the act for another 5 years, with the incorporation of the provisions suggested and with specific authorizations for each year at a level commensurate with the needs.

The amounts in the 1965 act were derived in part from objective analysis of the needs, and those needs are still very great, notwithstanding the aid that has been provided.

Therefore, increased funding seems essential in the 1971 higher education amendments, taking into account only one factor, enrollment.

In the 1964–65 school year there were 4.6 million college students in the United States.

In the 1969–70 school year there were 7.4 million.

This committee, through the Higher Education Act and other education measures, made possible in the sixties the greatest advancement in history in library training and provision of library materials for improved service to faculty and students in institutions of higher education.

The needs of the seventies will be even more pressing as the vision for maximum opportunity for higher education for all who can profit by it comes nearer to reality.

The library will be in the midst of this development, and we earnestly request your help so that we can better meet the needs.

It is a privilege and pleasure to be permitted to appear before you this morning in support of the extension and improvement of title II of the Higher Education Act.

Mrs. GREEN. You may proceed in any manner that you wish.

Dr. LOW. Madam Chairman, do you want me to note where I am reading from?

Mrs. GREEN. I think if you just summarize and pick out the important parts of your testimony, that will be sufficient, and we will try to follow through on it.

Dr. LOW. With regard to bills H.R. 32 and H.R. 5191, I should like to observe first that—just as the public library serves the entire community—the college library serves the entire institution, all of the student body, the whole research-teaching-learning community of higher education.

When Congress assists in the development of college and university libraries, it is promoting the progress of every scholarly discipline and every field of research and learning. Indeed, the scope of the library and the capability of its professional staff are reliable measures of the standing of the institution as a whole.

For this reason, strengthening the library is by no means a matter of narrowly categorical legislation. Federal assistance to college libraries is quite different from strengthening institutions of certain types or of one discipline or another in higher education.

To the contrary, assistance to libraries in higher education is perhaps much closer to general aid to higher education than any other program of Federal assistance, with the sole possible exception of student financial assistance.

With respect to the specific bills before the subcommittee, H.R. 32 and H.R. 5191, we find praiseworthy elements in both of them.

We are assured that the sponsors are aware of the importance of strengthening the libraries of higher education, are well informed of the problems presently faced by college and university libraries, and are agreed on the necessity of extending the pertinent provisions of the Higher Education Act of 1965.

On the assumption that the subcommittee, as in the past, will wish to draft a bill synthesizing the elements of those that have been offered, we submit a few suggestions.

I should like to address you first this morning concerning the proposed revision of title II–A of the Higher Education Act providing for college library resources.

This has been a most significant program over the past few years for this group of libaries.

There are now some 2,200 institutions of higher education in this country, about half this number being junior colleges.

Of the remainder, most are smaller colleges; in fact, if I were to subtract 400 from the total group—an average of eight schools to a State—all the remaining 1,800, or some four-fifths of the total, would be smaller institutions as compared to the big universities.

Because these are smaller schools and often with limited resources, however, does not mean they are not good institutions of higher education. In fact, it is my belief that some of the most meaningful education in the country is being done in these institutions, and that the junior college area in general is now probably the real frontier in higher education.

Before the advent of this college library resources program, many of these schools were spending $1,000 per year or less for books and audiovisual materials for their libraries.

With the provision in this program for a basic grant of $5,000, which was matched by a like amount of local funds and with a requirement of a maintenance of effort, libraries were permitted to move ahead as never before; it has, in truth, been a real renaissance movement in a large majority of college libraries in this country.

Not only have books been bought in significant quantities but also, greater interest has been generated in, and attention been given to, the library by the administration of these schools, resulting not only in upgrading of staff but also in erection of new buildings to provide better library services overall.

These grants now assume a greater influence than ever before because of the increasingly difficult financial plight of institutions of higher education in general.

There is hardly an institution anywhere these days from the smallest college to the largest university which is not caught between the hammer of rising costs, increased demand for faculty salaries, and need for additional facilities, and the anvil of stationary or decreasing revenues from State sources or from private donors.

In such a squeeze, library materials are often the first casualties. Some mistakenly believe buying books can be postponed for a year with the hope of better provisions in the future which often never come.

The possibility of Federal aid to be matched by local support provides the library with the necessary persuasion, and the President and the administration with good reason to continue a viable library program.

The supplemental grants provided additional money in very significant amounts to larger institutions as well. Doctor Wagman of the University of Michigan tells me the money from this program was sorely missed last year, and is needed even more this year for support of special programs.

Special purpose grants are also making a substantial contribution to the academic community. As of now, some 75 new community colleges are being established each year.

A particular need exists for special assistance for libraries in these newly established institutions as well as in branches, and in areas of special activities, such as cooperative ventures, networks, and so forth.

In order to provide comprehensive data for the use of the committee on the impact of these grants, a questionnaire was sent recently to some 2,200 institutions of higher education.

To date more than 1,000 replies have been received, representing all 50 States and all sizes and types of institutions. I cite only a few of the replies we have received:

Kansas State College reports that its basic and supplemental grants "have been the only way our insufficient budget could be stretched to cover purchase of basic resources in conversion from teachers college to liberal arts" and that these funds also "helped to meet basic needs of a growing graduate division."

The University of Michigan reports that its library is the resource library for the State.

The State department of education provides funds for the staffing of a State access office in our library through which we provide interlibrary loans to all public and academic libraries in Michigan. All faculty members of institutions of higher education have faculty borrowing privileges in our libraries and use them as a research resource. We are expected to maintain and develop the research collections for these services. The grant money under HEA II is very helpful in this connection.

Southern Oregon College reports that:

> Almost all the Title II–A funds were used to purchase film and other microreproduction sets. By doing this, we have more than doubled our holdings. Many things (which we fully catalog) are of the nature that are required by research personnel. Without the funds, we would not be able to give our small graduate program any support.

Southern Oregon College goes on to say:

> Annually the college sponsors a symposium on a topical subject to involve the local community (last year aggression, this year environment, next year drugs); the library supplies material for these programs from Title II funds in the form of books and articles in a special collection. Grant money permitted us to purchase the ERIC collection and to become the regional depository which is available to school libraries in the Southern Oregon area (again part of our cooperative responsibilities, although current subscription rates are from our regular budget).

Portland Community College in Oregon states that:

> Sheer numbers necessitate additional titles and duplication in order to serve the educational needs. Grant money enabled the purchase of materials for branch libraries, which serve as community centers. One branch in particular is located in a disadvantaged area, and serves the drop-in student. The emphasis on vocational retraining makes mandatory the availability of non-print materials for use in such programs. Specifically, Federal aid can partially answer these needs; local funds are not sufficient for the purposes.

The hundreds of other replies give overwhelming evidence of the value of these grants and the need for their continuation.

For the hearing record, I would like to include a compilation of some of the more pertinent comments.

In the light of the foregoing, it is hard to understand the administration's claim that the basic grants have had only "marginal effect."

Regulations issued recently by the U.S. Office of Education in connection with applications for fiscal year 1971 grants indicate that basic grants will not be awarded unless the applicant institution also applies and qualifies for a supplement grant.

It is estimated the number of colleges receiving grants would be reduced from 2,200 in the last fiscal year to some 750 in the current fiscal year.

We consider this new policy to be a distinct violation of the intent of the congressional enactment, which provides that three-fourths of the appropriation for title II–A be used for basic grants.

In the light of the above, we therefore urge that title II–A be continued in the Higher Education Act, and that—

1. Basic grants of $5,000 be provided with requirement for matching with a like amount of local support, and that such grants have first priority on money appropriated under this title.
2. Supplemental grants be provided for larger libraries with an allotment of money by some simple mathematical formula such as enrollment.
3. Money for special purpose grants be provided, not to exceed 25 percent of the total appropriated. Maintenance of effort and one-third matching be required.

I wish to turn now to title II–B, which provides for library training and research.

Until this year, the money appropriated for training in library and information science had been divided between fellowships and institutes for use by library schools.

In fiscal year 1971, fellowships were greatly reduced, and are being abandoned altogether next year in favor of institutes, except for the few doctoral fellowships for which a commitment had already been made. This is a major blow to library training, and library schools everywhere are greatly concerned.

Fellowships are particularly helpful in the case of students who could not otherwise pursue graduate training. The dean of the School of Library Science at Atlanta University has called the continuation of title II–B fellowships "a very urgent need" because this private, predominantly black institution would otherwise be unable to prepare librarians to work with disadvantaged children and adults in school, public, and academic libraries.

This is an age of computers and of a galaxy of new equipment and techniques for the storage, retrieval, and dissemination of information.

The future leaders of the profession will need to know more than ever before, and we will need more of them than we now have.

Reducing the library graduate fellowship program at this time would be akin to eating our seed corn, we believe. Instead of reducing the program, it needs to be continued and strengthened.

I might say here that the present legislation provides for training and the appropriation is made for training, and is the decision of the administering agency as to what kind of training is offered, and up to this time, it has been divided between fellowships and institutes now at the decision of the administering agency, and it is being moved over entirely to institutes, which is what is giving us some concern.

It should be noted that accredited library schools operate in a different setting to most other graduate schools in that they have no undergraduate training programs.

They require a bachelor's degree for entrance. This is because they believe their training must be undergirded by a sound and broadly based education in the liberal arts.

They thus try to attract the most capable students they can upon graduation from the various disciplines in the natural and social sciences and the humanities, but it is these very same able students whom the professors in each discipline—for example, mathematics, biology, or history—are urging to go on to graduate work in their fields, and usually they can offer either a fellowship or a position of a teaching fellow for undergraduates, an option that the library school does not possess.

Therefore, without fellowships, a library school is at a serious disadvantage in attracting quality students for its work.

We would prefer to see the legislation approved by this committee continue authority for fellowships or traineeships as well as short-term and long-term training courses.

Both are needed.

We also view with much concern the proposal to remove part B from the Higher Education Act and place it as part G of the Education Professions Development Act, which is administered by the Bureau of Educational Personnel Development.

This proposed change would not only remove library training from the Bureau of Libraries and Educational Technology but also from the area of higher education to the area of development.

We can see no practical advantage, and several disadvantages, in shifting a graduate program to a bureau where no graduate programs are now administered.

We therefore urge, in connection with library training, that most serious consideration be given to the advantages of retaining part B in the Higher Education Act with explicit provisions for fellowships as well as for institutes or other aspects of continuing education.

We would also like continuation of the research authority under part B of title II. We are aware that library research could probably be funded by the Office of Education or other agencies under other statutes, but we fear that the importance of this work may be overlooked in the administration of broader programs, just as we fear that the library fellowship program may be overshadowed if it is included in the Education Professions Development Act.

There is an exponential increase in scholarly publishing throughout the world which dictates that the size of the collection, in many fields, must be doubled every decade merely to keep abreast of the literature.

To slacken the library's acquisition of the growing literature will diminish the usefulness of its collection because its relative scope will be reduced.

The Library of Congress program is vitally needed as a complement to the support available in the form of basic, supplemental, and special purpose grants.

We also wish to endorse part C of the program which will be dealt with in greater detail by the following speakers, so I shall only state that we in the American Library Association endorse this very heartily indeed, and also favor authorized increase of amounts for this program.

Now, of special purpose grants, I speak with some feeling of this, for some years a member of the catalog community which was instrumental in originating a program, and I have followed it through the years as it has functioned.

In accordance with the provisions of title II–C, the Office of Education has funded this program since fiscal 1965.

In December 1970, however, the Office of Management and Budget directed that the program be removed from the HEW budget and be funded directly as part of the Library of Congress appropriations.

The Librarian of Congress subsequently included this item in the Library's appropriations requests for fiscal year 1972 in order that this important program could continue.

Because of this development I would like to suggest that title II–C of the Higher Education Act be amended by striking the words "to enable the Commissioner to transfer funds" in the two places that these words appear.

The authorization would then provide that the sums would be appropriated to the Librarian of Congress for carrying out the purposes of the act and funds for the program would hereafter be included in the budget of the Library of Congress.

I have included as attachment C the resolutions on higher education adopted by the Council of the American Library Association in January.

In summary, we urge the extension of the act for another 5 years, with the incorporation of the provisions suggested, and with specific authoriations for each year at a level commensurate with the needs.

The amounts in the 1965 act were derived in part from objective analysis of the needs, and those needs are still very great, notwithstanding the aid that has been provided.

Therefore, increased funding seems essential in the 1971 Higher Education Amendments, taking into account only one factor, enrollment.

In the 1964–65 school year there were 4.6 million college students in the United States.

In the 1969–70 school year there were 7.4 million.

This committee, through the Higher Education Act and other education measures, made possible in the sixties the greatest advancement in history in library training and provision of library materials for improved service to faculty and students in institutions of higher education.

The chairman of the committee has been very instrumental in providing this aid, and we are deeply grateful.

The needs of the seventies will be even more pressing as the vision for maximum opportunity for higher education for all who can profit by it comes nearer to reality.

The library will be in the midst of this development, and we earnestly request your help so that we can better meet the needs.

It is a privilege and pleasure to be permitted to appear before you this morning in support of the extension and improvement of title II of the Higher Education Act.

Thank you, Madam Chairman.

Mrs. **Green**. Thank you very much.

In regard to the cataloging of the Library of Congress, is this working out well with the colleges and universities across the country?

Dr. Low. Yes, ma'am, it is. Very well, indeed.

Now, for many years, before coming to Michigan, a few years ago, I was director of the university library, and I worked closely with Doctor Wagman in charge of the university library at the University of Michigan, and the percentage of books that have been, for which cards are available, and by cards, we mean that the expensive cataloging work has been done on these, and by the Library of Congress, and it has increased rather dramatically, and as much as I was interested in this program, it has far exceeded my hopes in what they could accomplish in this period of time.

It is tied up not only with the cataloging, but also with the acquisition of materials that we could not get in this country before this time that are brought in, and at least one copy, and often more being made available for research libraries, so in every part of the program, it is very well indeed working out.

Mrs. **Green**. Is it your judgment that they are current, that there is no backlog in terms of cataloging? And secondly, do you pay for services from any private companies for the cataloging of books?

Dr. Low. To answer your first question about the backlog, I cannot speak directly to that.

It is my impression that they are reasonably current. I am sure that Dr. Lorenz here can give you very accurate information on this.

We do collect materials from all over the world, and consequently one of the problems has been then to get in the Library of Congress people with sufficient language facilities, competent people, as well as subject competencies, to catalog this material, so I think at times possibly some material has stacked up a little pending the finding of people, and in some cases, the research libraries have loaned people from their own cataloging departments to the Library of Congress until they could get permanent personnel to do this kind of work, but it is my impression that they are current on it at this time.

Mrs. **Green**. The second part of the question. Do you pay any private companies to provide cataloging services?

Dr. Low. I never did when I was Director of the Library, and I do not know of any research libraries doing this at the present time.

There are some cooperative ventures among smaller schools within a State to try not only cooperative purchasing, but also personalized cataloging to reduce costs still more, but even these are buying the tape from Congress, and reproducing the cards for the libraries, instead of each having to bear the costs of the marked tapes.

Mrs. **Green**. With Congressman Dellenback's permission, I will turn to Congressman Esch.

Mr. **Esch**. Thank you very much, Mrs. Chairman. I appreciate the courtesy.

One or two questions.

I think we ought to get a little bit into the question of basic grants versus special grants.

The Commissioner has testified they believe they ought to move away from basic grants, and into special purpose grants.

Dr. Low. Yes, sir.

Mr. Esch. But you emphasized, however, the idea of keeping basic grants as an inherent part of our program. What would be an advantage of basic grants over the special grant concept?

Dr. Low. I believe very much in the mission of the smaller institutions in our group.

They are the majority of the institutions, and it is here where possibly library development has been slowest.

There are various reasons for that, but I have been concerned in all special grant programs, and I have served as an adviser, or member of an advisory committee at different times, that is, with the Office of Education on special grant programs.

I think we have made some good decisions, and probably made some bad decisions, but I have had the feeling all along that the institutions, the libraries that often needed the help most were the ones that did not make application at all, because they did not know how, or they did not have the staff and the know-how to make as persuasive application as the libraries with more resources, and consequently, the net result of this is that the rich get richer and the poor get poorer.

We do not get the money often in the place where it needs to go most.

Mr. Esch. What you are saying, even coming from a rather rich institution, comparatively, is that you recognize the needs of such grants for independent colleges which may not have a direct tie and direct opportunity to apply for funds readily.

Your belief is that we should spread our wealth out through the grant program which has been successful in building up libraries on a broad basis: is that correct?

Dr. Low. Yes. I served for several years as chairman for a joint committee of the American Library Association and the Association of Junior Colleges.

This committee, a joint committee of the two organizations, was devoted to improving libraries in the junior and community colleges.

I have worked over a good part of the country in this, in advisement, and one way or another, so I have become somewhat convinced that, although a grant gives a library and a small institution an opportunity, they don't know how to go about it, and so they give up and don't make an application.

They have the same opportunity, each library does, but the ones who should avail themselves, most need to avail themselves of the opportunity are the ones who so often do not, but if you just have a simple basic grant so that all they have to do is spend as much as they have spent the year before for their program, and then if they match this with whatever amount they can, up to $5,000, they can get $5,000.

It calls the attention of the President and the administration to the library.

It is simple in practice, and practically all of the libraries took advantage of this.

Mr. ESCH. The other question I have is in relationship to that. You mentioned it is hard to catch up if you don't have funds for the libraries for a year or two.

Why can you not pick up after 4 or 5 years and redevelop?

Why do you need a continuing library fund?

Dr. LOW. There are two reasons for this.

One, the continual increase in programs of publishing seems to always demand for the current publications about all of the money you can come by, so you never get an opportunity to go back and catch up, but if you do have the money to do it, the books are often not available.

We had this situation so much in the thirties. I am old enough to have been a librarian in the thirties, when this occurred so much that the Carnegie Corp. made grants trying to get institutions to give more attention to their collections. They went along with meager funds, almost no funds for books, and even now 35 years later, those gaps are showing up in many libraries.

They were never able to fill them. There are a large percent of the libraries that miss a good percentage of material that has gone out of print during the first year, for about half of the material that is published goes out of print in 2 years after it is published, and some materials are not available to be bought later, even though you have the money to do it.

You can locate some in the secondhand houses, and so on, but it makes gaps that show up later in the library supporting program, so you do need to keep a constant level of buying and acquisition.

I wonder if we could turn very quickly, to the question of training. Those of us on the committee recognize the need and the shortage in terms of training librarians—especially in elementary, junior high, and our high school—but you emphasize the need to continue on with the strong fellowship program at the M.A. and the Ph. D. level.

You certainly do not need a Ph. D. to become an elementary school librarian, I would not think.

Really, has there been a demonstrated need to continue on. Is there a shortage at the Ph. D. level?

Dr. LOW. Yes, sir; there is.

Now, first, I would say I am just as strongly in favor of support for students at the master's level as at the Ph. D., and we are training at the master's level for elementary school and secondary school librarians, and in the matter of the Ph. D.'s, we have not trained so many of those as yet.

There is a great demand for those yet, in faculties of library schools.

We have in progress and just about completed a survey at the University of Michigan of the library schools all over the country, asking them how many doctoral people they would be looking for during the next 2 years; that is, this would not be ones they ought to have, if they had the number of faculty they should have, for their students, and so on, but actually the number they would be looking for, budgeted for the next year, and expected to have, and presumably would be budgeted for the following year, or in the next 2 years, and it develops that they think they will be asking the library schools that do provide doctorates for almost 300 doctoral people.

Now, this is for teaching in the library schools.

Now, this does include library schools that are on the fourth year level too.

Mr. ESCH. How many are going to be put out within that period of time?

What is the gap?

Dr. LOW. The gap—we will probably graduate around a hundred, in that neighborhood.

Mr. ESCH. So what you are saying is unlike other disciplines, where there may be a surplus at the Ph. D. level, to this date in the library sciences, there is not a sufficient number at the graduate level to fill the available positions.

Dr. LOW. That is correct.

Mr. ESCH. And then of course there are——

Dr. LOW. There are demands also for these people as directors of libraries, and we try to tailor the individual's doctoral course to the area in which he expects to serve.

Now, with the II–B fellowships we have awarded to date in Michigan, and I think this has been true in the other library schools to a considerable extent, we have insisted on going to the people who intend to teach in the library schools, because that seems to be the greatest need, and most of those we have graduated have done so but a few have deserted to go into directorships of libraries.

Mr. ESCH. I appreciate very much your comments, Dr. Low. This committee has supported libraries diligently in the past years, and I know they will want to continue to give that support in the areas of greatest need. I appreciate, Madam Chairman, the courtesy you extended to me to question the witness first.

Mrs. GREEN. Thank you very much.

Congressman Brademas.

Mr. BRADEMAS. Thank you, Madam Chairman.

I appreciate your helpful testimony, Dr. Low.

I have a couple of questions. I take it the thrust of your testimony is that so far as the members of the American Library Association are concerned, you would, with respect to libraries in the higher education legislation, very much prefer to continue the existing legislative authorities on more or less the same pattern; is that correct?

Dr. LOW. Yes, sir. It has been such a successful program in every way, that we are reluctant to see it changed.

Mr. BRADEMAS. I am impressed by that, because, as I think you say, or perhaps Dr. McCarthy says in his statement, there is a good deal of talk about paying attention to the people out in the field who are the users of these several programs, and I have not detected any clamor on the part of librarians in my State of Indiana, or indeed elsewhere, for the rather drastic changes that have been proposed in the administration's bill. I take it from what you are saying, unless your position is not typical of the many other groups that have a stake in education legislation, that your concern is that you will be swallowed up and lose any sense of visibility if the library programs are folded into broader programs.

Do I misstate your point of view? If I do, please tell me.

Dr. LOW. No; that is correct.

It is always a danger, partly because there are more programs that are being considered, and all so often the administration of the program is being done by someone very competent, but without library training, and without an understanding of the particular problems of our profession. We have suffered under this so much in the past in the Office of Education, where the head of the Bureau has not been a library trained man, and did not understand the problems and did not present the budget properly for us. The Bureau of Libraries and Education technology now is staffed by librarians, professionally trained librarians who understand our problems. This fact is no reflection on other people, and I think I would be the same way if I have been trained in another field. This happens to be the field of endeavor I am interested in, and it is so hard for one in another field to make a proper balance.

This is our concern here.

Mr. Brademas. If it could be shown that modifications of the kind that have been proposed in some bills before us could contribute significantly to improving the effectiveness of the programs, I think that would be a telling point, but though I am not always regarded as a conservative, I am conservative enough not to want to tear up programs that seem to be effectively operating, and enjoy the support of those who have responsibility in the field for administering them.

I have just one other question that is related to the last one, and this touches on money.

What comment can you give us with respect to budget requests for libraries on the one hand, that is, the administration's budget request on the one hand, and how you perceive the needs on the other?

Dr. Low. We have been greatly concerned with the budget requests of the administration, as related to the authorizations in the act.

We thought that the authorizations needed to be met fully to take care of the needs.

The last 2 years have represented very material reductions in appropriations, and also, in the matter of library resources now, even the reserving of appropriated funds by the Congress that are not being distributed to the libraries, I happen to feel personally that that is usurping the power and authority of the Congress, but that is just a personal opinion, but we are concerned with the sharply diminishing budget recommendations by the administration in regard to our programs when our needs are so great.

Mr. Brademas. Thank you, Madam Chairman.

Mrs. Green. Thank you, Congressman Brademas.

Congressman Dellenback.

Mr. Dellenback. Thank you, Madam Chairman.

I join in welcoming you here. I spent 3 years at Ann Arbor Law School, and I have a high regard for that great institution.

Dr. Low. Thank you, Representative Dellenback. It is so nice to know that you are from Michigan. I am a Michigan graduate, and I think it is a great school, even though I spent most of my time out of Michigan.

Mr. Dellenback. I see that you strayed.

Dr. Low. I taught there many years in the summer. I think I taught there about 25 years in the summer before I joined the staff permanently to round out my career in teaching.

I hope I learned something to tell the students, but that is open to question.

Mr. Dellenback. I would like to ask you briefly about two principal things.

One, with the explosion of materials that you have mentioned in your testimony, and the fact that down the road it looks like this will continue to grow very materially, is it not going to be more and more important somehow to have increased concentrations of library materials instead of trying constantly to have all libraries have all essential material?

Dr. Low. There is no doubt that this is being done now, without design.

No library has complete materials. I believe the Library of Congress now has shown by union catalog, that it may have no more than half of the titles that exist in the United States.

It shows how even the largest library has only a portion of the material, and certainly, as we go on, more and more selectivity as I see it is going to become necessary for all of the large libraries, and the correlary of that then is to work out a viable network that permits rapid exchange of materials, or portions of materials.

Now, for the large group of libraries, for this again, when you take out even 100 of the largest libraries, you get down into a middle level group, and the library has to be a service agency for its own institutions, and, therefore, must have much of the material that is needed for the curriculum in that institution, and it responds to this need, and then it can do this without having all of the material in the world, or only a tiny fraction of the actual, but still a sizable collection of material to support the curriculum directly and readily, and then the borrowing from other agencies, the smaller library borrowing from the larger, and the larger borrowing from the Library of Congress, and so on.

Those are fringe efforts that supplement basic materials that you have.

Now, in this training area is the extremely large amount of material.

One of the characteristics of the larger research library is that it must have a great deal of material, most of which is used very infrequently, but which is extremely important when it is needed, so the broader the curriculum, as at the University of Michigan, with its tremendous research program, and now approaching half of the student body being graduate students, these large institutions are going over to be graduate institutions. That is why you need this very large concentration of materials. Then where the majority of the students are undergraduate, but with the institutions having large research programs, you have the smaller collections in which you build to the extent that you can, and you hope you do not put in fields of study for which you have not acquired a reasonable amount of material to support it.

Mr. Dellenback. I notice that in your testimony you included the comment on the University of Michigan, reporting that its library is the resource library for the State, and that the University of Minnesota reports it has the only major research library in the State, and is expanding services to other academic institutions; so I see these as examples of what you are talking about.

It is more and more necessary that not every library try to have all materials, and that there be an improvement in methods of dissemination, in either the documents or excerpts of the documents, or through television, to make it available through computers. I would gather from what you say that you think this will increase the particular need for concentrations of certain materials within regions, or within States, or within the Nation.

Dr. Low. Yes, sir. That is true, and when Dr. McCarthy testifies here, the Association of Research Libraries is an association of about 80 of the largest libraries in the country, and they are greatly concerned with—I don't know whether he has that in his testimony specifically, but he would be glad to answer this question, I know.

They are working constantly on matters of networks, and provisions for concentrations of materials, seeing that this is a great necessity now, and will become even more so in the future.

Mr. Dellenback. Realizing that even as the Congress is, your department in the university is constantly laboring under a limitation of dollars. There just are not enough for all of the needs we would like to be supplied so that we are forced into having to set priorities. I read your testimony as it is set forth on the bottom of page 6 as saying that you would give absolutely a top priority to basic grants of the size of potentially $5,000 with local support, and if all the money were used up for that, you would still give it top priority ahead of supplementary and special-purpose grants?

Dr. Low. I am speaking there of its relation to the supplementary grants and the special-purpose grants, but not to the title C that goes to the Library of Congress.

Mr. Dellenback. I mean so far as these three types of grants.

Dr. Low. I think that it is the most significant grant. You see, if the library has been spending only a thousand dollars a year, or $2,000 a year for materials, and then it can get $5,000 a year assistance if it maintains this effort, and then if that is matched by local support, this is bringing in $10,000 more to this library's budget.

Now, that is extremely significant. It may mean a doubling of the budget, whereby a supplemental grant to a larger library, even if it is a hundred thousand dollars, is not relatively that significant, but it is hard to say about these, because every library has a need.

It is also true that the large libraries have larger demands on their resources, and the smaller institutions depend on them too, so it all ties up together, but I am greatly interested in seeing these smaller libraries encouraged to build up collections.

Mr. Dellenback. You would give it first priorities on all moneys appropriated?

Dr. Low. I would do that. Mr. Wagman may want to put me in jail when I get back home, but I would say that.

Mr. Dellenback. One other point I am questioning: Facing the need to cut down, and to use dollars as efficiently as possible, why can there not be quality education for library work on the undergraduate level, so that some of these vacancies, particularly in elementary education, could be filled with basically persons with bachelor degrees instead of master degrees?

Dr. Low. This is being done in quite a few schools, and in different institutions, and I think it is being done successfully, but the schools there are often demanding master's degrees. We think that there is no doubt but that we get better librarians by having the 4-year training, so it is a matter of qualifications. I notice the schools, as fast as they can get these masters' people, they are putting them in.

Mr. DELLENBACK. Do you feel that in time of need to expand, and to fill vacancies to which your testimony has alluded, and in time of need to use dollars as effectively and efficiently as possible, it would be possible to have at least elementary school librarians with bachelor degrees rather than a master's degree or a doctor's degree?

Dr. LOW. It is possible, certainly, and I think, again, it comes back to quality.

You see, we have the same thing with the teacher. That is, the teacher can go into an elementary school with bachelor's degree.

Mr. DELLENBACK. This is part of the comparison?

Dr. LOW. But you find those upgrading themselves to master's as fast as they conveniently can, and the school encourages them to do this. We think a better trained teacher with a master's degree serves better.

I feel that our work in the elementary schools and the secondary schools is just as important as the work in the colleges and the universities.

I started off as a high school librarian, and one of the reasons I am interested in the small school, and in the schools is because of my experience in this area.

I regret there seems to be a feeling that less well trained people can do successful work in the elementary schools, or in the high schools, but when you get into college, you have to have more highly trained people.

I feel so strongly that we need good training in the elementary schools just as much as we do in higher education.

Mr. DELLENBACK. So you would like to see it upgraded with traditional graduate work, as it is done with the teachers, if there were adequate training on the undergraduate level?

Dr. LOW. If there were adequate training on the undergraduate level, just as you have adequate training in the other disciplines, as far as that has gone, you would have individual competence to that extent.

Mrs. GREEN. Related to that, and it seems to me equally important, would the people who receive the fellowships and have the advanced training go into the elementary schools? Also, do you have any figures on the number of librarians who have left the profession for other reasons?

Dr. LOW. I do not have figures on the ones who have left the profession. During the last 2 years, at the University of Michigan, our graduates have divided almost exactly one-third between going into elementary and high schools, and into public libraries and into college and university libraries, and that is our master's group. We have a strong training program at the University of Michigan, and we have a proportionate number of our faculty whose special expertise is in that field, and who are teaching there.

Mrs. GREEN. In your statement you said there is a shortage of librarians at the elementary school level.

Dr. LOW. Yes.

Mrs. GREEN. Is there a surplus of librarians at the other levels?

Dr. LOW. We have not found it so, and we have tried to collect recently statistics from other library schools.

There does not seem to be a surplus of librarians. The ones who are having difficulty locating have been the ones that tied too many strings to their bow. That is, they were married, and the husband has gone to a certain place, and so they had to have a job in that area, or they wanted to go into a certain type of library, and do a certain type of library work.

Mrs. GREEN. Are not figures on surplus at hand?

Dr LOW. I do not have any figures at hand. I think I could supply you with some. I do know that the library schools are able, or were all able last year to place practically all of their graduates, unless there was some restriction that the graduate put on.

I think nearly all of them got jobs, and in Michigan, we have still, all of ours, have two or three jobs for every graduate that we have.

Mrs. GREEN. If there is no objection from the committee, I would like to ask the counsel to consult with the Bureau of Labor.

It seems to me, from my experience, that they have the best statistics for the various job categories. I would like to specifically inquire about the shortages, or the surpluses of librarians at all levels, and in specific, kinds of libraries, for example, science libraries.

If there is no objection, I would like to put it at this point in the record.

Thank you very much.

(Information unavailable from Department of Labor.)

Mrs. GREEN. Congressman Quie.

Mr. QUIE. Dr. Low, it is good to have you with us today. I have enjoyed your answers to the other members of the committee.

You mentioned on page 3 that some schools were only spending a thousand dollars a year for books and audiovisual materials. With a basic grant, they got $5,000, plus a like amount, adding up to $10,000, which would be 10 times as much going into their libraries as before.

Dr. LOW. The matching grant has been the requirement that they must spend a like amount in their total budget.

They did not have to spend it for materials, and it was left that way purposely, because if you get more materials, you need to have more personnel.

Usually, and this happens most of the time, the additional matching money was put into personnel, to process and to service the new materials that were being put in, although some libraries did devote most of their matching money to materials as well.

This was one of the most exciting things I found as I went around to different libraries, that when there was matching money, how interested the presidents got in their libraries. You might say, well, they ought to have had this interest anyway, and I think that some did, but they had so much pressure from so many sides for things that it is difficult for them; but anytime they can say to the legislature, or to a donor, now, if you will give us this, then we can match this, and we can get extra dollars, they become much more interested.

First, from a financial standpoint, and then later, as they see how it all develops, some even built buildings, I think, solely because of this grant that started them off in being interested in libraries.

Mr. QUIE. Let me ask you, Now that the interest has developed, if we provided grants to the institutions for them to make the expenditures any place they wanted to, would the libraries fare all right?

Dr. LOW. I am afraid they would not, for this reason.

There is so much pressure now particularly for faculty salaries in every institution. Our budget is just as tight at the University of Michigan as it can be, and in the smaller schools, it is the same way.

Now, presidents are often sympathetic to their libraries, but they are also concerned with their faculties, as they want to keep up the spirit of the faculty, and they need so much to put the money into increased salaries.

Now, if they do not have this grant, they do not have this support, but if they have this—and presidents have told me this—that this has helped them to say to their faculty, now, we have still got to put some money on the library because if we do not, we will lose some money here, so the faculty understands this, and it helps to maintain their spirit without being misunderstood, instead of saying you are just being sympathetic to the library, and you do not care about their needs.

The University of Michigan is reducing the amount of money for books, and if the library had this maintenance of effort, if they were getting money this year, they would have to maintain this effort.

Mr. QUIE. Then we cannot depend on the judgment of the administration of the institution of higher education; is that correct?

Dr. LOW. That is correct.

Mr. QUIE We have heard all the time that the library was to liberal arts as the chemistry laboratory was to the chemist, or the physics laboratory was to the physicist.

We do not have any trouble in earmarking money to the chemistry laboratory or to the physics laboratory, but we do have trouble requiring this to be earmarked to the libraries.

Now, I am not saying "if" there is no Federal money. I recognize you have to have Federal money, and I recognize that many colleges did not put libraries No. 1, but when they got the money, they built libraries.

Now, if we continued the Federal money, or even expanded it, do we have to continue the categories?

Dr. LOW. Well, I do not think that it is substituting your judgment for the judgment of the president of the administration of the institution.

I think it is encouraging him to follow the judgment that he has made, and if you do not do that, with the other needs of the institution, it makes it more difficult for him to follow this judgment if he does not have this assistance.

The library is a unique thing compared to a mathematics professor who goes in, and says I have got 300 students to teach, and there are 30 students to a class, so I have need to have 10 classes. You can do this mathematically and determine how many professors you need. But when the librarian goes in, and says I need more books this year, and the president says, we just do not have the money, we will have to do with fewer books this year, and then the library opens every day, and it seems like it is going along fairly well.

Well, why keep putting in all of this money. It seems like it is like an open maw that the money goes into, and you do not see an immediate return. This can go on for a decade, and then all of a sudden, you have a poor library. It just simply does not ever recover, so it is this encouragement to keep this steady development of the library that we are so much concerned with.

This is why this categorical program originated in the first place, and I firmly believe that this will help as long as it is continued, to make for better libraries. With money wisely expended at the institution, the library develops very well.

Now, some presidents will object to this and say you should not impose your judgment, but I think they appreciate this assistance. As I said in my paper here, when you are supporting the library, you are really supporting generally the institution, almost as truly as if you gave the money to the institution, except it has to be expended in a certain area.

Mrs. GREEN. I find difficulty in understanding the position of the academic community. Last year they resisted strenuously any direction from the Congress in terms of what they might do in certain areas. Their plea was to maintain the autonomy of the institution—that the Congress had no business coming in and making suggestions as to what the institutions ought to do. And yet your plea is for Congress to be very specific and say the university must have earmarked funds of *x* number of dollars for libraries.

Dr. LOW. I suppose we must have said these things, Mrs. Green, but could you be a little more specific in where we objected to the Congress coming in?

Now, I do not work as a member of my administration, so this may have occurred, and I did not know about it.

Mrs. GREEN. Well, there is only 45 minutes left, and if I got started, I probably would take the entire 45 minutes, so Congressman Quie, could you elaborate on that?

Mr. QUIE. We will not require you to explain why.

I think we made a point here that we run into with every other group. They like the security of not having to compete for their funds. It is sort of a human trait, but I will go on to something else.

You mentioned on page 9 of your testimony that accredited library schools operating in different settings have no undergraduate training programs. They require a graduate degree for entrance.

Now, why is that?

It kind of surprised me. I did not know there were no undergraduate programs for librarians.

Cannot an undergraduate, a person with a bachelor's degree do an adequate job in an elementary school library?

Dr. LOW. There are library training programs at the undergraduate level, but they are not so-called accredited programs.

They are not accredited by the American Library Association.

The American Library Association accredits only what is called graduate library schools that require a bachelor's degree for entrance.

Various institutions, usually in connection with their schools of education, have given the fourth year library courses to people who were training to be teachers, and usually the individual in the elementary and secondary school has to complete certain education requirements of the State to serve. The librarians are required to have certain education courses, so it is a logical outgrowth that they train their people in the fourth year, and some very good people have come out of these programs. We do think, however, because the field of knowledge is so broad, that it is desirable to first have 4 years of basic liberal arts training, and that to impose professional training too early is a disadvantage to the student, so the graduate library schools do require this bachelor's degree for entrance.

Now, again, these fourth-year people who go out in these areas are constantly coming back to us for graduate training. We then take into account the courses they have had in the fourth year, sometimes require them to take some more liberal arts work, try to plan a program that does not make them duplicate what they had previously, and try to make each a better trained individual when he comes out. In my testimony, I was talking about the graduate liberal schools, because my plea was for fellowships, we do not have an undergraduate program.

Mr. QUIE. And there is no move to have an undergraduate program for librarianship?

Your answer sounds like you are satisfied with this arrangement.

Dr. LOW. Yes, sir; that is true, and in the case of a good many of these programs that started out as 4-year programs, they are now trying to make into 5-year programs, realizing that in many cases they did not work out as well as they had hoped.

Mr. QUIE. Could one of the reasons for the shortages be that it takes so long?

Dr. LOW. This could be so.

I think a more compelling reason for the shortage is a growing recognition of the value of the library in the schools, and the fact that many elementary schools still do not have a library in them. A former member of my staff in Oklahoma became supervisor of the school libraries in Oklahoma City. She was a very able woman, and at that time—this was about 6 or 7 years ago and there were very few elementary libraries in Oklahoma City—the superintendent of schools asked her to try to install a library in every elementary school in the city.

This is being done in many cities and I think this is where the increased demand is primarily created.

Mr. QUIE. It seems to me we have a similar ring in the medical profession, where they are protesting having medics serving in the rural areas, where a full M.D. is not required—the medics are used quite widely in the military, but very limited use in civilian life.

I think there is a danger of people in professional occupations wanting to make sure that everybody serves in that field is trained properly, rather than some people that are not as adequately trained for the more limited needs of some of the elementary school needs.

Let me ask about the Ph. D. in library science.

What kind of dissertation does a doctorate candidate need?

Dr. LOW. It depends on his interest to some extent.

Some are historical in relation to the profession. There is an increasing number now working on the very difficult problems of documentation and storage and dissemination of information.

We are just adding a specialist on our staff at Michigan now to direct research study in this field, because of what we had spoken about before. This great mass of information presents a staggering problem as to how to organize and disseminate it, and there is no end to the ways it can be approached. We need much more research than we have at the present on how this can best be done.

It is also such a serious semantic problem, that it almost defies the imagination to cope with it.

Mr. QUIE. Let me ask two other quick questions.

What percentage of all the funds for the library at the University of Michigan go for the graduate programs?

Dr. LOW. This would just be a figure, almost out of my head, because there is no way of really separating the graduate material from the undergraduate.

The undergraduates read widely in some fields, while graduate students find basic works for undergraduates very helpful, but in general, I would say that the undergraduates at the University of Michigan might well be served with possibly a third or less of the moneys spent for materials.

That is, the majority of the money is spent to create a larger research library for the graduate students and faculty.

Mr. QUIE. Would you have those figures when you go back home? Would that be much of a problem to submit them?

Dr. LOW. I don't think they are available at all, because there is no way of segregating this material.

I was just trying to imagine the University of Michigan without any graduate students at all, how much would they have to spend then for library materials, compared to what they are spending now. I would think the majority of what they are spending now is spent for research materials.

Now, this is serving, of course, not only the graduate students, but the faculty also.

You see, we have 4,000 faculty at the University of Michigan. That is as many students as many colleges have, and many of those are doing research.

In addition, there are some 12,000 graduate students.

Mr. QUIE. The other question I want to ask is, What percentage of all of the funds of libraries come from the Federal Government?

Dr. LOW. At the University of Michigan, a rather small percent now. I do not have the figures on that. I expect Dr. Wagman could supply those.

The ones that come now, since there are none that come now from the II–B, are mostly from research contracts, that have a certain allotment for overhead for the institutions, and out of that, I think they assign to the library a portion of the overhead for materials.

Mr. QUIE. Could you get that from Dr. Wagman and send it in, probably for the last 5 years?

Could you do that for us, Dr. Low?

Dr. LOW. I will make an effort to do that, sir.

Mr. QUIE. Thank you very much.

(Information to be inserted:)

Higher Education Act of 1965 (Title IIA), funds received

1965/66, $10,000:	
University of Michigan (basic)	$5,000
Dearborn (basic)	5,000
1966/67, $93,351:	
University of Michigan (basic)	5,000
University of Michigan (supplemental)	68,351
University of Michigan (special purpose)	15,000
Dearborn (basic)	5,000
1967/68, $119,861:	
University of Michigan (basic)	5,000
University of Michigan (supplemental)	109,861
Dearborn (basic)	5,000
1968/69, $67,539:	
University of Michigan (basic)	5,000
University of Michigan (supplemental)	56,595
Dearborn (basic)	5,000
Dearborn (supplemental)	944
1969/70, $23,192:	
University of Michigan (basic)	2,500
University of Michigan (supplemental)	18,099
Dearborn (basic)	2,500
Dearborn (supplemental)	93
Total amount received	313,943

Application submitted Mar. 9, 1971

1970/71:	
University of Michigan (basic)	$5,000
University of Michigan (supplemental)	26,480
Dearborn (basic)	5,000
Dearborn (supplemental)	146.30

Medical Library resource grant, funds received

1st year (1967), $54,918:	
Medical Library	$37,244
Dentistry Library	7,777
Pharmacy Library	2,542
Public Health Library	7,355
2d year (1968), $45,761:	
Medical Library	31,035
Dentistry Library	6,480
Pharmacy Library	2,118
Public Health Library	6,128
3d year (1969), $33,864:	
Medical Library	22,966
Dentistry Library	4,796
Pharmacy Library	1,567
Public Health Library	4,535
4th year (1970), $24,020:	
Medical Library	15,847
Dentistry Library	3,597
Pharmacy Library	1,175
Public Health Library	3,401
5th year (1971), $15,227:	
Medical Library	10,563
Dentistry Library	2,397
Public Health Library	2,267
Total amount received (5 years)	173,790
5th year (1971), Pharmacy Library	[1] 783

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[1] Applied for Feb. 18, 1971.

Mr. Quie. I have no further questions, Madam Chairman.

Mrs. Green. Congressman Erlenborn.

Mr. Erlenborn. I have no questions.

Mrs. Green. Thank you very much, Dr. Low. We appreciate very much your helpful testimony.

Dr. Low. I thank all of the members of the committee for their courtesy and their questions.

Mrs. Green. The next witness before the committee is Mr. John Lorenz, the Deputy Librarian of the Library of Congress.

Mr. Lorenz, we appreciate your being here. Will you introduce your associate?

Mr. Lorenz. First I would like to say Dr. Mumford regrets his illness does not permit him to be here today; and I am glad to introduce Mr. Applebaum, Assistant Director of the Processing Department, and in the interest of time, Madam Chairman, I would like to introduce the entire statement into the record.

STATEMENT OF JOHN G. LORENZ, DEPUTY LIBRARIAN OF CONGRESS

Mr. Lorenz. Madam Chairman and members of the subcommittee:

I appreciate this opportunity to appear here today to speak to the library provisions of the Higher Education Act.

This subcommittee is well aware that financial problems have become routine, but serious to institutions of higher education. Quality education costs money. Part of the expense of higher education is in providing adequate library service. Rising costs in publishing, the ever-increasing number of books and publications needed, and expanding enrollments have swelled library budgets, and the proportion of available college and university funds required for the library continues to grow.

In order to meet these demands, libraries of institutions of higher education have formed consortia and have entered into cooperative arrangements with other institutions in their areas. This does not, however, preclude the necessity for increased book-purchase funds. The grants provided under title II–A of the Higher Education Act have been extremely helpful in improving library resources in higher education. For the smaller institutions, these funds have allowed the libraries to continue in what would otherwise be a hopeless situation. I urge your subcommittee to retain this provision of the Higher Education Act.

My colleagues in the library field who are here today undoubtedly have a great deal of information about the research and training programs provided under title II–B of the Higher Education Act, but I would like to speak briefly to these provisions from experience at the Library of Congress.

Each year the Library of Congress selects 10 to 15 outstanding library school graduates under its special recruit program. The aim of this program is to prepare the participants, who are given 6 months' intensive training in all areas of Library of Congress, for a broad range of professional and management positions in the Library. During the last 3 years nearly one-half of those outstanding graduates who were accepted had accepted Federal assistance under title II–B to attend graduate library school. Many of these bright young people would not have been able to continue their education without such assistance.

As you know, the Library of Congress is actively involved in the automation of its bibliographic and cataloging operations as well as in carrying on basic research in the preservation of library materials. The Library of Congress cannot, however, do all of the research necessary to provide for a nationwide information network, nor would it be desirable for it to do so.

The grants provided under the research provisions of title II–B have given the necessary impetus to libraries of all types to participate in the exciting developments in library and information technology.

A recent publication produced with funds from title II–B, entitled Computerized Library Catalogues: Their Growth, Cost, and Utility, which has received wide praise in the library community, is but one example of what can be done. The results of this basic research are then available for the use of all provisions under title II–B.

My main purpose, however, in appearing here today is to discuss with you the National Program for Acquisitions and Cataloging administered by the Library of Congress is faced with a critical situation with respect to this program.

As you know, we have administered the program—and extremely successfully, I believe—with funds transferred from the Office of Education. When your subcommittee added this provision to the Higher Education Act in 1965, it was because a convincing argument was made that this would be an efficient and effective way to assist college and university librarians with their most pressing problem—that is, the cataloging of library materials—with a minimum expenditure considering the scope of such a program.

Advances that were not thought possible in 1965 have been made, despite funding below authorized amounts. Colleges and universities are reporting savings in cataloging costs far in excess of the amount of money appropriated for this centralized cataloging program.

In 1965, the Library was providing cataloging copy for about 50 percent of the volumes acquired by institutions of higher education. At this time, we are receiving reports that cataloging copy is available for approximately 75 percent of the books they are now acquiring and some libraries even report that cataloging information is available for up to 90 percent.

This program has resulted in an increase of cataloging production at the Library of Congress from 109,000 titles in 1965 to 228,000 titles in 1970. There has been a simultaneous increase in the speed of distribution of this information to the research library community. As a result, wasteful duplication of effort has been eliminated and skilled human resources conserved.

Other beneficial effects of the program include the reduction of cataloging arrearages across the country and quicker availability of more research materials for all concerned. At a time when responsible citizens are seeking ways to expend Federal resources selectively for the greater common good, it seems particularly appropriate to speak of the success of this cooperative endeavor.

The critical situation to which I referred earlier is this. Late in December 1970 the Library received word from the Department of

Health, Education, and Welfare that for fiscal 1972 the Office of Management and Budget had decided that this program should be removed from the HEW budget and funded directly to the Library of Congress. We were told that this decision in no way reflected on the merits of the program, but mainly on where the program should be funded. Subsequently, the Librarian of Congress amended the Library's budget estimates for fiscal 1972 in order to include funds for this program in the Library's budget requests. Although the Library has implicit authority to carry on such a program under its 1897 charter, we feel that the authorization under the Higher Education Act would be desirable. I would like, however, to respectfully request that the 1965 act be amended by striking the words "to enable the Commissioner to transfer funds" in two places where this clause appears in the act. Thus, the authorization would read: "There are hereby authorized to be appropriated * * * to the Librarian of Congress for the purpose of * * *"

I cannot emphasize strongly enough the importance of this centralized cataloging operation to libraries throughout the country. Because cataloging information has become available for an increasing portion of their acquisitions, library administrators have been able to use subprofessionals in their cataloging operations and, thus, to utilize their highly skilled staff in other essential library services. Should the program be discontinued, libraries and their users would be faced with a chaotic situation and, once again, important library materials would not be available to education and research.

In conclusion, I would like to mention an important byproduct that has resulted from title II–C. Many foreign publications which were not being acquired by the Library of Congress or other libraries in this country, because information about their availability was unknown, are now being acquired and are being made available to the Congress, other Government agencies, and to higher education and the research and scholarly world through interlibrary loan.

I would be happy to answer any questions your subcommittee may have with respect to title II–C.

Thank you for your attention.

Mr. LORENZ. I would like to say briefly that the Library of Congress supports strongly and wholeheartedly titles II–A and II–B. These are the first two pages of my testimony, and then I would speak directly to title II–C.

Mrs. GREEN. When you say you support II–A and II–B, do you refer to the administration's bill, or to the programs as they exist at the present time?

Mr. LORENZ. As they exist at the present time. Our observation is that these have been very beneficial to colleges and universities, and the training program has been very valuable, even in terms of the Library of Congress recruiting trained graduates, and the research program is very valuable also, but my main purpose in appearing here today is to discuss with you the national program for acquisition and cataloging under title II–C of the Higher Education Act.

The Library of Congress is faced with a critical situation with respect to this program. As you know, we have administered the program—and extremely successfully, I believe—with funds transferred from the Office of Education.

When your subcommittee added this provision to the Higher Education Act in 1965, it was because a convincing argument was made that this would be an efficient and effective way to assist college and university librarians with their most pressing problem—that is, the cataloging of library materials—with a minimum expenditure considering the scope of such a program.

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We were told that this decision in no way reflected on the merits of the program, but mainly on where the program should be funded.

Subsequently, the Librarian of Congress amended the Library's budget estimates for fiscal 1972 in order to include funds for this program in the Library's budget requests.

Although the Library has implicit authority to carry on such a program under its 1897 charter, we feel that the authorization under the Higher Education Act would be desirable.

I would like, however, to respectfully request that the 1965 act be amended by striking the words "to enable the Commissioner to transfer funds" in the two places this clause appears in the act. Thus, the authorization would read: "There are hereby authorized to be appropriated * * * to the Librarian of Congress for the purpose of * * *"

I cannot emphasize strongly enough the importance of this centralized cataloging operation to libraries throughout the country.

Because cataloging information has become available for an increasing portion of their acquisitions, library administrators have been able to use subprofessionals in their cataloging operations and, thus, to utilize their highly skilled staff in other essential library services. Should the program be discontinued, libraries and their users would be faced with a chaotic situation and, once again, important library materials would not be available to education and research.

In conclusion, I would like to mention an important byproduct that has resulted from title II–C. Many foreign publications which were not being acquired by the Library of Congress or other libraries in this country, because information about their availability was unknown, are now being acquired and are being made available to the Congress, other Government agencies, and to higher education and the research and scholarly world through interlibrary loan.

Thank you, Madam Chairman. I would be pleased to answer any questions.

Mrs. **Green**. Thank you very much, Mr. Lorenz.

I am sure this provision has helped libraries across the country in a very, very substantial way.

Mr. Lorenz, will you provide for the committee information giving the percentage of your appropriation under parts C of title II that was expended for these items in the last fiscal year.

(*a*) The cost of acquisition, excluding personnel and administrative costs.

(*b*) Personnel and administrative costs, and

(*c*) The total cost of preparing cataloging and catalog records as well as unit costs.

Mr. **Lorenz**. Let me ask Mr. Applebaum.

STATEMENT OF EDMOND L. APPLEBAUM, ASSISTANT DIRECTOR FOR ACQUISITIONS AND OVERSEAS OPERATIONS, LIBRARY OF CONGRESS

Mr. **Applebaum**. I have some of the information here. I am not certain I have it in precisely the specific categories in which you requested.

The total of acquisitions——

Mrs. **Green**. Excluding personnel and administrative costs.

Mr. **Lorenz**. These are for materials alone?

Mr. **Applebaum**. In fiscal 1970, we spent $433,954.43 for the purchase of publications alone, using the funds appropriated under this category.

The second question——

Mrs. **Green**. Personnel and administrative costs.

Mr. **Applebaum**. Total personnel?

Mrs. **Green**. Yes, under title II–C.

Mr. **Applebaum**. I have this broken down into salaries and compensation in the three benefit groupings.

May I give them in separate categories?

Mrs. **Green**. Yes.

Mr. **Applebaum**. For personal services, $3,610,857.

For health benefits, $16,450. For group life insurance, $11,300. For retirement, $207,000.

Mrs. **Green**. So the salaries are somewhere around $3,750,000?

Mr. **Applebaum**. $3,845,607.

Mr. **Lorenz**. The major effort under this program, Madam Chairman, is the intellectual effort that goes into the cataloging of these materials.

Mr. Applebaum. What is the third item?

Mrs. Green. The total cost of preparing the catalog records as well as the average unit cost?

Mr. Applebaum. I have the figures on the number of catalogers supported by this program, but I do not at this time have the average unit cost.

Mrs. Green. Would you prepare that, and I ask unanimous consent to have it placed in the record at this point.

Mr. Applebaum. I would be glad to.

(The material referred to follows:)

Total Cost of Preparing Catalog Records and Average Unit Cost

In fiscal year 1970, the final program by activities statement showed $3,538,711 for cataloging and classification, $1,044,405 for acquisitions activities, $871,000 for catalog card printing and distribution, $348,687 for administrative costs and $9,199 unobligated balance lapsing. During this period, we estimate that 119,000 titles were cataloged as a result of title II–C support. There is a derived cost then of $29.74 per title. It is relevant to mention, however, that catalogers at the Library of Congress must also devote part of their efforts to editorial activities concerned with the continual updating of the American cataloging rules, the Library of Congress Classification Schedules, the Library of Congress List of Subject Headings and the name authority files, cross-reference structure and other editorial work required for the maintenance of the Library of Congress card and book catalogs—all of which are essential to the Library of Congress serving as a cataloging center for the Nation.

Mrs. Green. How many branch libraries of the Library of Congress are there in foreign countries?

Mr. Lorenz. We have no branch libraries.

Mrs. Green. Then offices.

Mr. Lorenz. We have a total of six librarians abroad under this program.

We are attempting continually to reduce this number. We feel that three is probably a basic minimum, because these three are in developing countries, where the book trade is largely unorganized.

These countries are Indonesia, Brazil, and Kenya, covering Eastern Africa.

Mrs. Green. How many employees does the Library of Congress maintain in foreign countries?

Mr. Lorenz. American employees?

Mrs. Green. I want it divided into local, national and U.S. citizens, The total, how many employees are there?

Mr. Lorenz. Mr. Applebaum can answer that.

Mr. Applebaum. We have six Americans overseas for this program. We also have 15 local employees in Brazil, nine in Indonesia, and 10 in Kenya.

Mrs. Green. That is the total number of employees?

Mr. Applebaum. Yes; the number of employees on the staff of the Library of Congress supported by this program.

Now, we do have people doing cataloging work in other shared cataloging centers.

These are local nationals who are not employed directly by the Library, but are on a contractual basis to adjust shared cataloging information to Library of Congress requirements.

Mrs. GREEN. Are they paid by the Library of Congress under II-C?

Mr. APPLEBAUM. Indirectly by subscription.

Would you like these figures also?

Mrs. GREEN. Yes.

Mr. APPLEBAUM. We have these. The book supplier has three people in Austria. There are five and a half positions in England, five in France, seven and a half in Germany, four and a half in Italy, eight in Japan, four in the Netherlands, and five in Oslo, Norway.

Mrs. GREEN. How many other people go for a short period of time to the various places around the world?

Mr. APPLEBAUM. I generally will travel to inspect these centers or to negotiate new subscriptions, and to review the work that is done.

On occasion, the Chief of the Overseas Operation Division, who is also responsible for the Library's Public Law 480 programs, will travel to these offices.

Mrs. GREEN. Do you deal exclusively with foreign suppliers in the acquisition program, or do you first look for domestic sources?

Mr. APPLEBAUM. Our best sources for foreign publications are suppliers in the country of publication.

Mrs. GREEN. As a rule, you go to them?

Mr. APPLEBAUM. Yes, ma'am.

Mrs. GREEN. That is your policy?

Mr. APPLEBAUM. Yes.

Mrs. GREEN. How do you decide which dealers to work with? Is it by competitive bid, or negotiation?

Mr. APPLEBAUM. In the structuring of this program, we have almost invariably gone to the dealer with whom we had our blanket order arrangements—which constituted the Library's major source of acquisitions—prior to the establishment of this program.

In other words, our dealer in England, for the last seventy years has been Stevens and Brown, and we went to Stevens and Brown to work out these arrangements with that firm.

It was done similarly in Paris and in Oslo.

Mrs. GREEN. Nothing has ever been done by competitive bid?

Mr. APPLEBAUM. No, ma'am.

Mrs. GREEN. You have made the judgment that the taxpayers of the Country are better off by following the procedure you follow than by a competitive bid procedure?

Mr. APPLEBAUM. Our experience in acquisition work generally has been that if we are to acquire foreign publications quickly and in depth it is not practicable to have competitive bidding in the same sense that one might acquire furniture.

What we are interested in is the bookdealer's knowledgeability, his ability to acquire the hard-to-come-by materials, not only publications that are easy to acquire. We base this on many years of experience at the Library of Congress.

Mrs. GREEN. Are you saying there is only one dealer that is qualified as you have just described it in each of these countries?

Mr. APPLEBAUM. I do not believe there is only one dealer able to perform but the Library selected the dealer that experience indicated was best qualified to supply the necessary speed and in-depth acquisitions as well as the bibliographic services required. We do require the dealer to continue to demonstrate his ability under our review.

There are dealers who have special experience in certain areas, for example, in England, our legal materials were never provided by Stevens and Brown. They were provided by a different dealer, Blackwell, who was a specialist in legal materials, and we have continued our arrangement with Blackwell.

Certain dealers are specialists with periodicals, and we have continued other arrangements with periodical dealers.

Mr. LORENZ. I believe one of the important requirements of a satisfactory dealer is the dealer's experience and knowledgeability of what the Library of Congress wants to acquire.

We have a very complicated acquisition program, as you can well imagine, and the dealer's understanding of the Library's needs, which are built up over a period of time, is very important to us.

Mrs. GREEN. I suggest that is not a bit of knowledge or a technique that others could not acquire.

Is the cataloging information incorporated into the Library of Congress as regular cataloging service in card form or on computer?

Mr. LORENZ. At the present time in card form. Hopefully, in the future, it will be done on computer tapes.

Cataloging information on magnetic tape is available for current English language materials.

Mrs. GREEN. If these catalogs were incorporated into this subscription service that you have on computer tape, how many colleges and libraries would then have them available, assuming the current distribution system is used?

Mr. LORENZ. We now have about 60 subscriptions to our Marc (machine readable cataloging) distribution service.

This number will increase, as the colleges and universities increase their capability and technical knowhow in terms of using this new technique.

Mrs. GREEN. If you put it on tapes instead of cards——

Mr. LORENZ. We are now.

Mrs. GREEN. How many universities would use it?

Mr. LORENZ. Well, my estimate is that this would increase gradually over the years.

It has been at the level of about 60 subscribers.

Mrs. GREEN. There are 2,200 colleges and universities and only 60 use it?

Mr. LORENZ. Yes; with the technical ability now to utilize this computer service. We expect that this capability will be increasing steadily throughout the country, and it is increasing steadily, but this is the level of capability at this time.

Mrs. GREEN. So you have it on cards and not on tapes?

Mr. LORENZ. Most of the libraries are still subscribing to the card service, rather than to the tape service.

Mrs. GREEN. And you think if you put it on tapes, you would not be servicing more than 60?

Mr. LORENZ. Well, there are many exciting developments coming to pass.

For example, in the State of Ohio, there is one center, the Ohio College Library Center in Columbus, which is now subscribing to our tape service, and they in turn are serving about 60 colleges, and universities in the State of Ohio, so this one subscription to the tape service is increased 60 times, and in turn it is being used to serve the cataloging information needs of this network of colleges in Ohio. This is the kind of development which we are going to see much more of in the years to come. We are just getting geared up to this nationwide program.

Mrs. Green. I have some other questions, but first Congressman Dellenback.

Mr. Dellenback. I would ask a follow-up question. I may not be geting part of this very clearly.

How many institutions throughout the Nation at the present time use your card cataloging service?

Mr. Lorenz. There are over 25,000 subscribers to the card service.

Mr. Dellenback. These embrace higher education institutions and other libraries?

Mr. Lorenz. Other libraries, school libraries, public libraries, special libraries, etc.

Mr. Dellenback. Are you saying that there are only 60 against that 25,000?

The comparison on the tape is 60?

Mr. Lorenz. Yes; but the MARC tape service is a very recent development. In many ways, the Library of Congress is at the forefront of this development. At this particular point in time, all that we have the money and capability for is to put English language cataloging into this tape service form.

There are many, many libraries that have said, as soon as we can get this expanded beyond English language, and into the other languages, then they will be more interested in subscribing to this service.

Mr. Dellenback. What is the potential?

Mr. Lorenz. The potential is that within the foreseeable future, possibly only 10 years, the way the technology is expanding, that through a development of a system, such as I described in Ohio, all libraries may be served in this fashion.

The technology is growing very rapidly. It is the funding for the technology that is holding back many of the institutions in moving ahead, but the prime requisite for this service to develop is the capability of the Library of Congress to continue to increase this program to the point where it will really be of greater usefulness to all of the colleges and university libraries.

Mr. Dellenback. As far as title II–C is concerned, you indicate that you would like these funds to remain in the Higher Education Act, and thus be earmarked, but you would like to take out the one phrase which reads to enable the Commissioner to transfer funds, so in effect, there would be an authorization for appropriations directly to the Library of Congress, but earmarked for this particular purpose?

Mr. Lorenz. That is correct, sir; because we feel this program is being done primarily for college and university libraries, and, therefore, it is appropriate to have the authorization in the Higher Education Act. This would change the process of appropriating funds to the Commissioner of Education for transfer to the Library of Congress.

Mr. Dellenback. I appreciate your comments.

On the one hand, that would be better than the present situation, and on the other hand, what would happen if instead of earmarking these funds at all, we left it to you to rise or fall within the Library of Congress request for appropriations, for authorizations, so that it would have to stand up against other potential users of this money? Would you comment on those two points?

Mr. LORENZ. Well, in this particular year, in fiscal 1972, we have responded to the action of the Office of Management and Budget in deleting funds in the HEW budget. We felt that the continuation of this program was so vital, so critically necessary, that the Library of Congress did take the initiative in adding it to the Library of Congress budget request for fiscal 1971.

Mr. DELLENBACK. That is the full amount?

Mr. LORENZ. We are requesting the same amount that HEW initially requested the President's office to include in the fiscal 1972 budget.

Mr. DELLENBACK. Staying with that second question that I put to you, what would happen in future years if instead of our earmarking these funds, you had to rely on the vitality and the absolute importance of this program, and include it as just a part of the regular Library of Congress budget? Would it remain that high in priority, so that it would be funded at the full amount, or request for funding would be at the full amount?

Mr. LORENZ. I can assure you the Library of Congress feels this program has a very high priority within its total program.

We do feel, however, that the added authorization in terms of having it within the Higher Education Act would be desirable.

Mr. DELLENBACK. I am not sure I interpret your words correctly.

Let me put the question simply.

If it were not earmarked by congressional action, do you feel that the importance of the program compared with other possible utilization of these dollars within the Library of Congress funding would still leave it at this full amount?

Mr. LORENZ. I believe the answer to that would be yes.

Mr. DELLENBACK. So. therefore, it is not necessary that we earmark these funds from the standpoint of preserving a developing institution, or from the standpoint of taking a child that needs the protection of earmarking, that the program now within the Library of Congress stands on its own feet and its importance is sufficient that you would not need the earmarking to preserve its funding?

Mr. LORENZ. I am quite sure that our every intent would be to continue this program, because we see its beneficial effect to the Nation.

Mr. DELLENBACK. Back to my first question. The impact of taking out these words that you suggest, where the funding would go through the Commissioner so that instead it would go directly to the Library of Congress, what would be the impact of such a move?

Why do you suggest deleting these words?

Mr. LORENZ. The deletion is suggested because this is what is currently being planned.

In other words, officials of HEW and OMB have said we do not feel this should be in the executive budget for fiscal 1972, and, therefore, the Library did take the initiative to include it in the Library's budget.

I believe that one of the reasons why the Office of Management and Budget made this move, and they assured us that it was in no way a reflection on the value of the program, was because the report of the Senate Appropriations Committee, for fiscal 1971 HEW appropriations, stated that the committee felt that agencies using the funds should be the agencies requesting the funds. They disliked the process of transfer from one agency to another.

Mr. DELLENBACK. From the standpoint of the Library, or from the standpoint of the administration of the program, as opposed to the reasons you alluded to, which are fiscal in nature, do you find advantage or disadvantage to having the Commissioner of Education involved in this program, even in the manner it is set up in part C?

Mr. LORENZ. We have seen no real advantage in having the funds appropriated to the Commissioner for transfer to the Library of Congress.

Mr. DELLENBACK. Is it a purely automatic thing, or is there correlation of effort?

Do you report to the Commissioner? Does he exercise any supervision over how the funds are spent? What is the present arrangement?

Mr. LORENZ. We have reported to him very faithfully, but I know of no supervision that has been exercised. It has been rather a routine financial transaction.

Mr. DELLENBACK. So that neither in laying down requirements as to how you would expend the funds, nor in exercising restrictions, or suggestions, or in reacting to your report, has there been any real impact from having the Commissioner channel the funds?

Mr. LORENZ. No. It has been routine. As I said, we reported regularly to the Commissioner. They have shown an understanding and appreciation of the program, and its value to higher education, but there have been no directives with respect to administering the program.

Mr. DELLENBACK. Thank you very much.

Mrs. GREEN. Congressman Erlenborn.

Mr. ERLENBORN. Let me just ask one short question.

The appropriation for the Library of Congress, is that an executive appropriation, or is that included in the legislative appropriation?

Mr. LORENZ. That is in the legislative appropriation.

Mr. ERLENBORN. So that at least one net effect of the transfer of this appropriation from OE to the Library of Congress would be to take it out of the executive and put it into the legislative?

Mr. LORENZ. That is correct.

Mrs. GREEN. Mr. Lorenz, do you know how much money it was costing colleges and universities around the country before this particular provision was put into the higher education bill?

Mr. LORENZ. We have evidence, Mrs. Green, of the amount that has in effect been saved for college and university libraries to transfer resources to other services. Over the 5-year period of this program, it is a very impressive figure of $108 million nationwide that colleges and university libraries have not had to spend for cataloging services that they would have had to spend if this program had not existed. This is in the face of a 5-year evaluation and with the availability of funds for this program of about $19 million, so the cost benefit ratio is very, very impressive.

Mrs. GREEN. That is my understanding. It is also my understanding that there was chaos before this went into effect. Everybody was doing their own cataloging, and the waste of funds was tremendous.

As I understand, the Library of Congress has also had the authority to provide the cataloging for other libraries and not until this provision was put in the Higher Education Act, were funds made available to the Library of Congress specifically for this purpose?

Mr. LORENZ. We have been distributing cataloging information since 1901, but never at the level to provide the kind of service that we are providing now.

Mrs. GREEN. I must say that I have some reservations about the program as my earlier questions indicate. But because of the great need, the great service that has been rendered, and the tremendous savings to college and university libraries across the country, I would have great reservations about changing the procedure and putting it out of the Higher Education bill and into the Library of Congress bill.

I do not think the Library of Congress ought to be given the right to decide how much there is to be spent on cataloging.

Mr. LORENZ. Madam Chairman, the important factor is the continuation of the program.

Mrs. GREEN. Let me ask one more question, and then turn to Congressman Dellenback.

Your first purpose in the authorization in the original legislation was to acquire copies of all foreign materials of value to the academic community. How would you rate your level of success?

Mr. LORENZ. I think, here again, the statistics speak louder than anything else, and the evidence is that whereas before the program, college and university libraries were only getting about 50 percent of what they needed fast enough from the Library of Congress, but they are now getting on the average of 75 percent, and in some cases up to 90 percent of the cataloging copy they need. Our objective, of course, is to get this up to 99.9 percent.

We believe with the resources projected, that we can come much closer to that than we are now. I think these statistics show you what the direction and progress of this program has been.

Mrs. GREEN. If you were to reach the 99.9 percent, what level of funding would you need?

Mr. LORENZ. The 15 million, which is contemplated to be authorized, I believe, may very well be somewhat close to what we need.

Of course, conditions are changing constantly in terms of increase in worldwide publishing, but we are hoping that we can match this with improved technology, and improved methods of distribution of materials.

Mrs. GREEN. Thank you.

Congressman Dellenback.

Mr. DELLENBACK. I would like to ask you one more short line of questioning, and it is along the line of what you just testified to on 50 percent and 75 percent and then to 99.9 percent, which is part of your testimony.

What happens when this occurs?

In 1965, you indicated that you were providing cataloging copy for about 50 percent of the volumes.

Now, 1965 is over, and you have cataloged 50 percent, do you carry that forward, or do you say 1965 is over with, and we start now in 1966, and you let that 50 percent go by the way, or do you gradually keep on building up?

Mr. LORENZ. One of the great values of the Library of Congress card service is the fact that it continues to maintain accessibility and purchasability of the catalog cards for books cataloged in previous years.

We retain these files, so that a new library, for example, starting in 1966, or 1972, can in creating its initial collection, go to the Library of Congress, and to a large degree, establish its catalog from the resources that have already been developed at the Library of Congress.

Mr. DELLENBACK. Are these 50 percent, 75 percent, related to the volumes which were acquired by the Library of Congress, or merely to volumes that were cataloged?

Mr. LORENZ. The 50 percent and 75 speak to the degree to which the Library of Congress in its cataloging was able to satisfy the needs of colleges and universities across the country in terms of what they acquired.

In other words, take the average college library, and say 1970, we would expect that 75 percent of the books that they added in that year, would already be represented by cataloging data which would be immediately available from the Library of Congress.

Mr. APPLEBAUM. May I add this? One of the innovative parts of this program was to determine the titles that the research libraries were acquiring that required cataloging. Under the terms of the authorization, we distribute promptly upon printing full sets of Library of Congress catalog cards to the larger research libraries. We do this with the understanding that these libraries maintain files and report back to us titles for which they do not find cataloging data.

We then acquire and catalog these books. If the books have arrived in the Library of Congress and have not yet reached the catalog stream, we then increase the priority with which we catalog, so that the cataloging will be available quickly.

This is part of the effort to increase catalog card availability for the reasearch library community.

Mr. DELLENBACK. I hate to be slow, but let me be sure I understand.

If we then go back to your figure for 1965. In that year you were able to catalog, and give information on 50 percent of the volumes acquired by institutions of higher education.

To reiterate on the basis of what you just said, some institutions, in their reports, indicated you had information on 50 percent of the volumes, and on 50 percent you did not have the information. Is that it?

Mr. APPLEBAUM. This is the situation.

In the past libraries did not report back. They did their studies, and their studies showed they were finding only 50 percent of the cataloging information that they needed.

Mr. DELLENBACK. But I assume you then got information that 50 percent of the volumes had not been cataloged, and you then proceeded to take care of that 50 percent, so that 1965——

Mr. APPLEBAUM. This program did not start until 1966.

Hopefully, starting with 1966, the answer to your question eventually would be "yes," all titles that have been reported to us by the research library community as lacking cataloging, that we might have been able to acquire would have eventually been cataloged.

Mr. DELLENBACK. That would then hold to 1970, to the present time, from whenever the program began, and you are now 100 percent covered?

There is no accumulated backlog of any size or any consequence?

Mr. LORENZ. I believe there will always be some titles that are out of print by the time they are reported to us, for one reason or another.

Mr. DELLENBACK. Substantially, you are caught up through 1970, and you are able to find in 1970, that is, you are functioning at about 75 percent average level?

Mr. LORENZ. Yes, sir.

Mr. DELLENBACK. And hopefully that will continue to increase. But what I am really trying to ascertain is whether there is any accumulated backlog. For all practical purposes you would say that you are now functioning at about 75 to 90 percent rate of staying on top of it, but always picking up to 100 percent on everything that is reported to you?

Mr. LORENZ. Hopefully. Of course, the program has not yet been established to cover all of the world.

The funds just have not been available to do this. This is why we have a 75 percent batting average.

Mr. DELLENBACK. Thank you very much.

Mrs. GREEN. I also thank both of you. Your service I think is one of the most important services that could be given to colleges and universities around the country.

We appreciate your being here.

May I also express my appreciation to Steven A. McCarthy, executive director of the Association of Research Libraries, for his willingness to come back another day.

This has taken a little longer than we had anticipated.

I understand you are Washington based, Mr. McCarthy, so we can impose on you.

The meeting is adjourned until Monday at 10 o'clock.

(Whereupon, the meeting was adjourned at 12:30 p.m.)

HIGHER EDUCATION AMENDMENTS OF 1971

MONDAY, MARCH 29, 1971

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION,
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2261, Rayburn Building, Hon. Edith Green (Chairman of the special subcommittee) presiding.

Present: Representatives Green, Brademas, Quie, and Erlenborn.

Staff members present: Harry J. Hogan, subcommittee counsel; and Robert C. Andringa, minority legislative associate.

Mrs. GREEN. The subcommittee will come to order for the further consideration of the higher education legislation that is under the jurisdiction of this committee. This morning, we are privileged to have two extremely knowledgeable people in the field of higher education: Dr. Earl E. Cheit, University of California, Berkeley, who has his written report published by the Carnegie Commission; and Dr. Allan Cartter, the chancellor of New York University, who is no stranger to this committee.

We have read Dr. Cartter's reports with a great deal of interest, especially in terms of the surplus of agencies.

Could I ask both of you gentlemen to sit at the table together. I think it would be well if each of you would present your statement and we will reserve our questions until each of you have completed your presentations. Because both of you are covering similar material we may want to direct the same questions to both of you. I don't know which one of you wants to go first.

Dr. Cartter, do you want to start out?

(The prepared statement referred to follows:)

PREPARED STATEMENT OF DR. ALLAN CARTTER, CHANCELLOR, NEW YORK UNIVERSITY

Madame Chairman, I am Allan Cartter, Chancellor of New York University. The institution which I have served for the last five years is the largest independent university in the country. On several campuses in New York City we enroll 45,000 students—approximately 12,000 undergraduates, 21,000 graduate and professional students, and another 12,000 in a variety of continuing education programs.

New York University might be described as a bellwether institution typical of many that the new Carnegie Commission report by Dr. Cheit describes as being in financial difficulty—we are not well endowed, we have long been heavily committed to the training of teachers, researchers, doctors, dentists, nurses, social workers, engineers, etc. In our education, research and public service programs we have a long history of responsiveness to the needs of our community, and we are situated in an expensive central-city location.

Financial constraints are nothing new to us. Like many universities, for the past three or four years we have been undertaking extensive internal review to eliminate non-essential programs and services, and to improve efficiency in other areas. For two years my university has had a joint administration-faculty-student Commission on Effective Use of Resources, charged with recommending major economies. In its first year this Commission helped in cutting nearly $5 million out of the 1970-71 budget. Among the many targets set by the Commission was a reduction in the size of the faculty of approximately 15% over a two year period, with corresponding increases in the faculty teaching load. Many institutions are now at the point where such short-term economies are exhausted, and are now engaged in agonizing life or death decisions for substantial segments of their institutions. The quality of education may be seriously eroded by further financial reverses.

The causes of our problems are substantially beyond our control, brought on by various social, political and economic trends of the day. The impact of these trends, primarily resulting from the Vietnam war, has brought many institutions, mine included, to the edge of a precipice. It is difficult to fully convey the sense of urgency many of us feel today. We are in a deep and worsening crisis, and I do not believe it far-fetched to say that our traditional dual structures of higher education could well collapse within the next several years if dramatic remedies are not forthcoming.

Dr. Cheit's timely study partially illustrates the nature of the crisis, but I believe conditions have significantly worsened since his data was collected last spring. When I met with members of his study team I was deeply concerned with a university deficit which I feared was increasing from less than $1 million in 1967-68 to perhaps $2.5 million in 1969-70. In fact, despite the most rigorous internal economy measures (taken as a model by many other colleges and universities), last year's deficit was $4.5 million and is destined to top $7 million for the current year. This is not peculiar to my institution; the five major private universities in New York State (Columbia, Cornell, Rochester, Syracuse and N.Y.U.) consumed—cannibalized, if you will—a total of $77 million of their unrestricted funds to meet their expense obligations. Hardly a day passes without word of some major state university that has had to freeze or reduce its total operating budget and defer previously approved programs. The bell tolls for every institution, and for the rising college generation, as one reads of the calamitous budget situation at the University of California or the Johns Hopkins University, the University of Michigan or Columbia.

The dramatic change has occurred during the last three years, although the root causes in several instances have a longer history. I would like to document for a single institution the nature and magnitude of the problems. I would identify at least seven basic—and partly interrelated—causes of today's financial crisis:

(1) The *elimination of draft deferments* for graduate students in 1968 sharply cut into graduate enrollment at most major universities. In just one school alone, our School of Law, our deficit position worsened by $600,000 between 1967 and 1969, as the first and second year classes were decimated. Although law has now recovered substantially, our six other graduate schools (excluding medicine and dentistry) enroll almost 2,000 fewer students today than our 1968 projections led us to expect for 1970-71. At $2,700 annual tuition, that represents more than a $5 million short-fall in expected income. It should be noted that universities, and most particularly graduate and professional schools, are almost incapable of short-term contraction. Tenured faculty, expensive laboratories, teaching facilities and libraries cannot be reduced sharply when enrollment declines. In fact, one must plan three to five years ahead, and most universities are today enmeshed by the commitments they made several years ago before the unexpected change in Federal selective service policy. I am not saying that that policy change was wrong (that determination would have to take many other factors into consideration), but that it has extracted a heavy price on many graduate schools. Private universities that are heavily dependent upon tuition income have suffered most severely on this count.

(2) Since 1967 *Federal R & D expenditures* for university grants and contracts have declined in real terms by about 12%. With a larger number of qualified university recipients today, this has meant that the average university has suffered cut-backs of 15% to 20%. Our experience is that for every dollar reduction in Federal grants, on the average between fifteen and twenty cents of expense for faculty, graduate students, laboratory equipment, computer facilities, library

materials, etc. is placed back on the university expense budget. Frequently the cost is even higher in the short-run when a university tries to hold together a team of highly skilled researchers it has worked for years to build, and attempts to find new sources of funding. The adjustment for a university is even more traumatic when reductions in R & D funding are irregular; for example, N.Y.U.'s external funding has held up reasonably well in medicine, mathematics, physics and public administration, but has suffered reductions of a third or more in engineering, social work, and in other basic science areas. This is a more costly and painful adjustment than a smaller percentage cut across the board. Compared with out 1968 projections of anticipated funding, based on the experience of the last decade, N.Y.U. has dropped $7–8 million in R & D funding. (As Table I indicated, a dollar reduction of $2 million has meant a real cut of nearly one fourth, when our experience would have led us to anticipate about a 20% increase over the three year period.) Our best estimate is that this unanticipated decline has shifted about $1 million of real annual expense back onto the University budget, and also removed about $1 million in indirect cost recovery. All universities, public and private, are experiencing a similar difficulty.

TABLE I.—SPONSORED RESEARCH AND TRAINING ACTIVITIES AT NEW YORK UNIVERSITY (EXCLUDING MEDICAL CENTER)

Year	In current dollars (thousands)		In constant 1970 dollars (thousands)	
	Direct expense	Indirect expense	Direct expense	Indirect expense
1964-65	$13,794	$2,437	$17,656	$3,111
1965-66	15,030	2,674	18,788	3,342
1966-67	19,175	3,353	23,394	4,091
1967-68	20,053	3,548	23,663	4,187
1968-69	19,405	3,365	21,928	3,803
1969-70	19,921	3,243	21,307	3,640
1970-71 (preliminary)	18,060	3,100	18,060	3,104
Change 1967-68 to 1970-71:				
In dollars	−1,993	−448	−5,603	−1,087
In percent	−10.0	−12.6	−23.7	−26.0

(3) The three score universities which have medical schools (and frequently university hospitals) have the added problem of being whipsawed on wages and salaries by their medical centers. Health personnel costs have risen since Medicaid and Medicare at a rate about double the national average. Internal comparisons for faculty, administrators, technical personnel, clerical help, and even maintenance men have begun to have a severe ripple effect on many universities. Where there are labor unions that represent employees in both medical and general university sectors as at Columbia and N.Y.U. for example, the situation becomes almost intolerable. In the case of my university the deficits for the medical center alone for 1969–70 and 1970–71 are about $1.5 million higher than we have experienced over the last decade, and enforced university wage and salary adjustments could easily add $4–5 million additional cost to the rest of the university. This critical issue has already involved us in our first major strike in more than a decade, now in its seventh week.

(4) Little comment is required on the impact of spiraling construction costs. It is commonplace to design a new building anticipating a 12% annual escalation in costs only to find three years later inflationary pressures require an additional one-third in funding. Four major new buildings on our campus planned in 1965 and 1966 are now costing a total of $52 million instead of the anticipated $37 million. After the application of federal construction grants and private gifts we had expected to have to borrow about $10 million and planned for such debt service in our budget; in 1971–72 we will be servicing $25 million debt on these four buildings alone, adding another $1.3 million to our operating costs on top of the sharp increase in plant funds for annual maintenance.

(5) N.Y.U. has had a long-standing commitment to non-discriminatory admissions. In most years since World War II we have had between 1500 and 2000 black students enrolled. Over the past three years, recognizing the need for increased efforts to remove financial barriers to access to college, we have significantly increased our scholarship and recruitment programs. We now receive several hundred thousand dollars in E.O.G. and work-study funds from Federal sources, and about five hundred thousand from the State, but the university has

had to commit about $2 million annually of its own funds. This effort is now seriously jeopardized by the worsening deficit position.

(6) Inflation shows no favoritism; colleges and universities, like all individuals and institutions, have keenly felt its impact. Were it not for all the preceding factors, I suspect we could manage to live with general inflationary increases as well or as badly as do others. In addition to the extraordinary factors above, ordinary inflation is raising most educational costs 10% or more a year. Labor contracts, following patterns set in our case by the City of New York, the large voluntary hospitals and private industry, are commonly setting 10% to 20% increases; collective bargaining on the part of faculty is now commonplace for both the New York city and state university systems which already claim the highest salary scales in the country. Insurance rates have quintupled in three years. About a million dollars will be added to our budget next year when college faculty and staff become eligible for unemployment compensation. In one year alone heating, electrical and telephone bills have risen by more than a million dollars. It takes nearly a 20% annual increase in a university library budget just to stand still today, in light of spiraling book, materials and personnel costs.

(7) The last factor I would point to chiefly affects the private colleges and universities—it is the growing price resistance to private tuition levels in a time of unease in the general economy. The ready availability of good quality education in public institutions at low tuition levels (zero at CUNY, and $400 at SUNY this year as contrasted with $2,000 to $2,500 for the private institutions in New York State) provides an attractive alternative to many students and parents. The average student attending the city colleges or one of the university centers of SUNY costs the taxpayers, respectively, about $2,300 and $3,000, so it is a doubtful *social* economy for a student to select a public institution just on the basis of *private* cost.

Many private institutions are holding their own in enrollment (if, indeed they are) only by virtue of disproportionately rising financial aid budgets. Despite "open admissions" in CUNY this year, and the average 25% decrease in freshman admissions to the sixteen private colleges in NYC (excluding N.Y.U., Columbia and Fordham which maintained their freshman class size), undergraduate enrollment at my university has remained nearly constant. However, the number of undergraduate students who are able to pay their way *without institutional aid* has dropped from 9,844 in Fall 1968 to 8,394 in Fall 1970. That represents a $2.5 million income loss this year. Private institutions throughout the country share this experience today to a greater or lesser extent.

* * *

These seven factors illustrate the critical financial stresses that are present in higher education today. There is hardly a college or university, public or private, that does not find itself overcommitted in terms of its suddenly diminished real resources. As Dr. Cheit's study clearly illustrates the large universities, because they have carried the most costly burden of graduate and professional education and have functioned for several decades as key national laboratories, have suffered most critically from Federal budget and selective service policies. As I indicated above, universities cannot contract rapidly, for its resources are primarily fixed facilities and tenured faculty. A Federal policy of starving back graduate education and research because further expansion might create an oversupply of ph.D.'s is likely to be about as effective as starving all mothers to reduce the birth rate. Some control in the magnitude of graduate education may be desirable, but current Federal policy may quickly and devastatingly destroy the very institutions which have proved so crucial to the vitality of this country's economy and scientific accomplishment.

The Carnegie Commission study also confirms what many of us have individually known: that those institutions, large and small, which have taken on the largest burden of providing equality of access to higher education, and have been most responsive to the needs of their communities, are paying a costly price.

I would conclude, with the greatest sense of urgency that I can convey to you, that a major financial crisis is engulfing the nation's colleges and universities. I believe that Federal action is desperately needed to even stabilize a rapidly deteriorating situation. The cost of inaction is calculable—and unthinkable if we are to preserve the very centers of renewal and advancement that we shall even more desperately need in future years.

STATEMENT OF DR. ALLAN CARTTER, CHANCELLOR, NEW YORK UNIVERSITY, NEW YORK, N.Y.

Dr. CARTTER. I will be delighted, although, as you will see, most of my comments are attempting to take the type of analysis Dr. Cheit has made in the Carnegie Study and apply it to a single institution to try to highlight reasons for financial difficulties today from which many colleges and universities are suffering.

I find, in talking with many people within our university and in the general public, that there is a puzzle; people recognize the problem has become very acute in the last year or two. They are not always clear about the causes. What I have tried to do is take my university as a case study and see what has happened in the last 2 or 3 years that has made things worse.

New York University is the largest private university in the country, with something like 45,000 students today; roughly 12,000 undergraduates, a little over 20,000 graduate professional students, 12,000 in a variety of continuing educational programs.

In some ways, I see this as a kind of bellwether institution, typical of many of these that Dr. Cheit's study refers to as institutions in financial difficulty. We have many of the characteristics that he singles out. We are not terribly well endowed, relatively speaking. For many, many years we have been heavily committed to the training of teachers, researchers, doctors, dentists, social workers, engineers—all of the expensive works of graduate and professional education. In our education, research, and public service programs we have a long history of being responsive to the needs of our communities and we are situated in a very expensive urban location. If you think of most of the factors, Dr. Cheit's study illustrates we are it.

The presence of financial constraints is not exactly a novelty to New York University. Like many institutions over the last 3 or 4 years we have been undertaking an extensive internal review, trying to eliminate nonessential programs and trying to improve our efficiency as much as we can. For the last 2 years, we have had a very novel experiment that has worked successfully. The president and I have appointed a commission, which has now been meeting for about 22 months, and is composed partly of members of the administration, partly elected faculty members, and partly elected students. They are all carry-over members from our university-wide Senate. They have rolled up their sleeves and worked with us as hard as any internal group has ever worked, trying to find ways to make us more efficient.

In the first year of experience, when we looked at the budget for the current academic year and suddenly found we might have a deficit of $9 or $10 million, this group worked hard with us and managed to reduce it down to what we thought were reasonably manageable proportions for the short run. Among many targets set by the commission, one of the more interesting ones—because I think we have been a year of two ahead of other institutions—was setting targets for reduction in the total size of the faculty. We took a 2-year period and said over that period we would like to try to reduce the total faculty by almost 15 percent and, in doing that, to maintain our salary scales and even make some improvement in our academic salaries.

This came out of a committee that is predominantly faculty members who took on increases in their teaching load; and as far as I know, this is one of the first faculty groups that ever voluntarily went in that direction. I think in some ways this is an indication of the recognition that many members of our own faculties have of the serious proportions of this problem.

Many institutions are at the point where such short-term economies are pretty much exhausted, as I see our situation. We are now engaged in agonizing life and death decisions for some programs, perhaps certain schools. And I think now we are at the point where further cuts in expense budgets are going to have a dramatic impact on the quality of education. This is something about which we are deeply concerned.

As I look at it as an economist and an administrator who has primary responsibility, the basic cause of our problems are largely outside of our own control. They have been brought on by the fairly obvious social, political, and economic trends of today. The impact of these trends—which I think have grown essentially out of the Vietnam conflict—have brought many institutions, certainly mine included, to what I see is the edge of the financial crisis. It is difficult to fully convey the sense of urgency that many of us feel today. We are in a deep and worsening crisis, and I don't believe it is farfetched to say that our traditional dual structure of private education could well collapse within the next several years, if some dramatic remedies are not forthcoming.

Dr. Cheit's study, which I am sure you have read, illustrates the nature of the crisis. And yet, as I was trying to prepare testimony for today, it struck me that I think the conditions have significantly worsened since his data were collected a year ago. I had the pleasure of meeting with members of the study team at that time and then I was deeply concerned with the university deficit that had never been more than a million or million and a half dollars in history, and it looked as though it was going to be two and a half million for the last academic year. When the year ended, our deficit was a little over four and a half million dollars for the current year.

Although we started out budgeting a $4 million deficit, we have notified our board of trustees that we think it is now about $7¼ million for the current year. As I look toward next year, the situation looks even grayer. This is not peculiar just to New York University. The five major private universities in New York State: Columbia, Cornell, Rochester, Syracuse, and New York University consumed a total of $77 million of their unrestricted funds over the last 3 years to meet their expense obligations. That means, if you take their deficits they have accumulated during this period and the extent to which they have had to dip into unrestricted endowments to eat their capital, for the five institutions that has totaled over $77 million.

In the case of my own institution, I guess we account for $13 million of that $77 million. Hardly a day passes without word of some major state or university that has also had to freeze or reduce total operating budget. So I see the bell tolling for all institutions and for the rising college generation as one reads the calamitous budget situations that such institutions as the University of California, the Johns Hopkins University, University of Michigan, Columbia, and one could go on with the list, both public and private.

Although the root causes in many cases go back prior to the 3-year period, I would like to identify the things that are really shaking us up. The first is the elimination of draft deferments for graduate students in 1968. In our case, as in many other graduate schools, this sharply cuts into graduate enrollments. We do fairly effective cost accounting on school-by-school basis within our satisfaction. I use the illustration of our School of Law, which in 1 year went from approximately a break-even situation to suddenly losing more than $600,000 as the first year's impact of the draft took about a third of the entering class and a third of the first-year class which was moving up to the second year.

For about a 2-year period, we had substantial losses in the case of our law school. Actually, the law school has now substantially recovered. But our 6 other graduate schools, leaving the health fields aside, enroll 2,000 fewer students today than we projected 3 years ago would be the case. As you can imagine, particularly with graduate and professional schools, one has to plan 3, 5, 7 years ahead to have the facilities, faculty and laboratory equipment that one needs for graduate education.

So, when you have been planning, using your best judgment and extrapolating from the past and suddenly find the situation dramatically changed, you find that you are left with excess capacity. So that, if you take 2,000 fewer students and multiply that by $2,700 per student for an institution that relies on tuition income, this represents a short haul of $5 million from what we had anticipated as income at this time.

It should be noted that universities and particularly graduate and professional schools, are almost incapable of short term contracts. Tenured faculty, expensive laboratory teaching facilities, and libraries cannot be reduced sharply when enrollment declines. In fact, one has to plan far ahead and we have done so and have been caught, as many other institutions, with excess facilities and excess faculty at that level. I would not want to indicate or suggest that the change in the selective service policy was wrong. In fact, I had long advocated that. I am merely saying when it suddenly came, it had a very marginal effect upon many institutions, most particularly the private institutions who rely heavily on tuition income.

The second factor I point to, which also I would lay directly to change in policy within the Federal Government, is the gradual reduction since 1967 in Federal R. & D. expenditures. For the Nation as a whole in real terms, there has been a 12 percent drop over the last 4 years. It has meant that the typical university has probably had a cutback of 15 to 20 percent. Our experience is that for every dollar reduction in Federal grants, on the average of 15 and 20 cents of expense for faculty, graduate students, laboratory equipment, computer time, library materials, what have you, is placed back on the university expense budget.

This figure is higher in the short run, because if a contract suddenly ends that you had anticipated being renewed and you are suddenly left with facilities and faculty, perhaps 25 percent of whose time was taken up with this project and then they suddenly come back on the university budget, it is very difficult to adjust to this in a short run. Even with somewhat longer periods of time, there are joint products that one gets out of graduate education and research going on side by side. Graduate students are frequently funded through graduate school by research grants or contracts, which is often a great plus both for them and the Federal Government, and for us on the other hand. To cite one example, in our own case, we have one of the largest university-based computers in the country—largely through funding by the Atomic Energy Commission. If that contract were suddenly to disappear, many of the things we could do with that computer would now become a major university expense. I have used the example here. In a moment there will be a table, if you happen to have the testimony in front of you. The adjustment, I would say, has been even harder because it has been so irregular. In some areas the bottom has completely dropped out of Federal grants or contracts. In others, such as the field of medicine, it has gone on increasing slightly. So it is harder when suddenly you find physics and mathematics and public administration are doing well, but chemistry and biology are doing badly. And the internal irregularities that are created are hard for us to adjust to.

Compared to our projections that we in the past have always made each year, revising our projects 3 and 5 years ahead, compared with our 1969 projections of anticipated funding for the present year—and we had based those projects on the experience in the preceding decade—we are down somewhere between $7 and $8 million in our funding.

The table, which you have at the bottom of page 3, indicates on the left-hand side what has happened in the actual dollars and cents. These are drawn directly from university financial statements showing that our R. & D. funding rose from almost $14 million in 1964–65 to a peak of $20 million in 1967–68, and then has declined slightly thereafter. If you look on the right-hand side, where I have tried to go back and correct these for changes in the general cost of living, it shows what this means in real terms. In real terms, it means—and I have cast this in 1970 prices—our present R. & D. level of $18 million is more than $5½ million short of what it was even 3 years back.

This is a very sharp and very significant decrease for an institution, and it has meant that a good part of the time in the last 2 or 3 years, administratively, has been spent trying to readjust to what seemed to be staggering blows when they came. It means reabsorbing people back on the faculty, laying off hundreds of research scientists and technical people. And we have lost about a million dollars that we used to get for overhead, but very little of our overhead expense has declined during this period of contraction. I believe those figures, if you exclude medicine, are fairly typical for major universities in this country. They represent about the standard decrease.

Another factor I would mention is that those of us, some 63 or 65 universities which have medical schools—and, as in our case, a university hospital, which many universities have—have a special added problem of being whipsawed on wages and salaries by their medical centers. Health personnel costs have risen over the last 4 or 5 years at about double the national average; and the internal comparisons for faculty, administrators, technical personnel, clerical help have begun to have a serious ripple effect on many universities.

I find, while one anticipates that medical faculty will receive higher salaries than faculty in other parts of the university, it suddenly becomes very difficult when you find the assistant controller for medicine is being paid more than the controller of the university, or accountants in one area are being paid much more than in another; the situation became desperate when we have had to readjust university salary levels to try to reflect what has happened in our medical center.

In the last year or two, this has been even more dramatically brought home to us by the fact that in New York City, we were one of 19 or 20 volunteer hospitals that negotiate contracts jointly within the city, through State intervention, and those contracts have been resolved in a way that I frankly feel is highly inflationary. But as long as the State offices which are going to approve recommended changes in Medicare and Blue Cross rates, are a party to the bargain, there was very little any single institution could do to stand back away from them. Actually, today is the last day of the 7th week of a Teamsters strike which is demanding parity throughout the university with the members of the Teamsters local at the Medical Center. If parity is going to become the major issue, we are going to have the same problems that Mayor Lindsay had with firemen and policemen in New York City.

Mr. QUIE. What employees do Teamsters represent?

Dr. CARTTER. In our case, these employees are craftsmen, heating engineers, those who keep elevators going and do major repairs. But when the Teamsters, whatever unit they represent, go out on strike, it is extremely difficult for anyone to continue. We have gone for 7 weeks limping along on one-third of our regular heat level. We do have, under emergency provisions, deliveries of the oil; but we have had to close most of our cafeterias. Most of our elevators are no longer functioning. So far, most people have been pretty well spirited about it.

The fact of medical deficits, I think, needs no further illustration here. We have had good luck with our medical school until the last few years. Suddenly we were shocked last fall to find that the deficit just ended for the year, because of the rate structure and cost recovery, instead of being a half million dollars, it was two and a quarter million deficit. For the current year, the projections were as high as $4 million to $5 million for this year. We have now managed, by drastic changes, to whittle that back. We are hopeful that the capitation formula that has been recommended by the administration within the NIH proposals, will actually help us in part with this burden.

Little comment is required on the impact of spiraling construction costs. This happens everywhere, including Federal office buildings, I am sure. We find in our particular case that we had started about 5 or 6 years ago four major new buildings on our campus which then were supposed to cost $37 million. We thought we had built in 10 to 12 percent annual inflation allowances in those original estimates. Of that $37 million, we had raised $27 million with some money from the Higher Education Facilities Act, and with private gifts.

Now that we are three-quarters of the way through to completion on these buildings, we suddenly find that their cost has spiraled upward, actually not as badly as have some on other campuses, but instead of having $10 million annual debt service to manage on our regular operating budget—which we thought we were capable of doing when we made these decisions 2 years ago—we suddenly find the same four buildings are going to add between $4 and $5 million of debt.

And that, in turn, adds between a million and $1.3 million a year to operating costs.

I have mentioned the fifth point, the fact that for several decades probably my institution as much as any has had a major commitment to nondiscriminatory admissions. I was intrigued a year or two ago to find some of the earlier records before it temporarily became illegal to keep data according to race, that in 1948 my university had 1,845 degree-credit black students. We have approximately the same level today, but during the last 3 years particularly, we have added significantly to our recruitment and scholarship programs, and we are now receiving fairly substantial amounts both under EOG and work-study funds from the Federal Government. We have a half million dollars annually from New York State government. We find of our own funds, that we have committed something like a million, now in institutional scholarship aids under designation of the Martin Luther King Fund. That is not entirely for black students, but it is for disadvantaged students, and black and Puerto Ricans would make up probably 85 percent of that number.

We find this now seriously jeopardized by the worsening deficit position. Inflation is a problem everyone has. I have just mentioned some of the things that none of us would have thought of several years ago. I have already mentioned labor contracts and the fact that in New York City now, if you have labor settlement for anything less than 12 percent annually, you are fortunate. In many cases throughout the city you find increases, as in the case of the hospital, where it is a 20-percent a year increment. Both city and State university, which are most immediate neighbors now, have official collective bargaining agents for their faculty, and we have to live in an environment where the City University of New York has the highest salary scales in the country and where it is apparent, to faculty members anyway, that collective bargaining in both the city and State universities is partly the reason for this.

We are not unionized. I personally hope we will not be. On the other hand, we have to live with the situation that is immediately on our doorstep.

As for insurance rates, the university this year is paying $360,000 for fire insurance. Three years ago we paid $69,000. I think most of you are aware that insurance companies have awakened to the problem that even on campuses you can have trouble.

When college faculty as well as staff members come under unemployment compensation regulation, there is suddenly a new cost that has come that we had not anticipated a year ago. One year alone, the heating, electrical, and telephone bills have gone up by more than a million dollars. It takes more than a 20-percent annual increase just to stand still today in terms of spiraling costs.

The last factor I would point to here is one that affects chiefly the private colleges and universities. This is a problem which cannot be solved in this room. It is a problem with which many of us have to go on living. It is a growing price resistance to private tuition levels at a time when there is unease about the general economy and when in absolute terms the price differential between public and private sector looms very large.

The ready availability of good quality education in public institutions—our city, zero; $400 at State university, for current year—provides an attractive alternative to many students. The average student attending city colleges or one of the university centers, costs the taxpayers respectively—and these are costs for current year—roughly $2,300 per student educational cost in city university and slightly over $3,000 per student in the State university. So, one could argue that it may be a doubtful social economy to set up a system whereby, when things look slightly uneasy in the economy, many thousands of students will decide not to go to an independent institution because it is much cheaper.

New York City is a very peculiar place at the moment where, in response to open admissions, there is a great movement of students in the city. Some of the private institutions which were not very selective in their admission standards have almost gone under in the wake of the open admissions. Institutions like Long Island University, Pace College, several others of that sort, have had a third to half of their freshman class this year wiped out. They have one kind of problem. In the case of my institution, we are finding the number of students from within the city choosing to go to the private institution is increasing, although we have been losing in the suburbs somewhat to the developing State university system. So musical chairs being played by students, and the changing nature of the City University is a very unsettling thing.

Mrs. Green. I didn't follow your thought that a third of the freshman classes have been wiped out.

Dr. Cartter. Long Island University freshman class is 52 percent smaller; Pace College, 41 percent smaller. Eighteen or 19 private colleges and universities in New York City averaged 20 percent decrease in their freshman enrollment this year in response to City University's open admission. The only three institutions that managed to retain the size of their freshman classes were Columbia and Fordham and New York U, partially because we have appealed more to noncity students.

Mrs. Green. What is the attrition rate?

Dr. Cartter. I only know what I read in the New York Times. It is too early to tell at this stage. Within this past week there has been an article on the experience of City University with open admissions. It was done with a favorable initial view toward it. I think it is going to take several years before one can really tell.

Mrs. Green. What did it estimate the attrition rate to be?

Dr. Cartter. I don't believe it gave any specific figures. Actually, the only information one has at the moment is what happened at the end of the first semester. Usually that is much too early. Very little happens at the end of the first semester. I think by next fall, when you find how many will return for the second year, one will know much more.

Mrs. Green. Do you know what the actual cost of education is at the City University for lower division?

Dr. Cartter. No. For the senior institutions, their overall cost is $2,280 for this year.

Mrs. Green. Is that actual cost?

Dr. **Cartter.** That is what is in the budget from the City of New York. That does not include any capital cost, and I believe it does not include pension cost for faculty. That is fairly close to being the total direct and indirect cost for the senior colleges or the City University. In the case of community colleges, I believe it is $1,600 or $1,700.

Mrs. **Green.** Thank you.

Dr. **Cartter.** Many private institutions are holding their own in enrollment—if, indeed, they are—only by virtue of the disproportionately rising financial aid budgets. I mentioned the fact we have just been talking about. In the case of New York University, I went back three nights ago when I was writing this to deduct the number of students who at least have scholarships on institutional funds, and found, if you take those undergraduates that are paying their own way, this number has dropped from 9,800 in 1968 to 8,800 in 1970.

There are additional factors, but I thought of these as being major ones where the impact was of the order of the magnitude of a million dollars or more—these seven factors, I think, illustrate the critical financial distresses that are present in much of higher education today. There is hardly a college or university, public or private, that doesn't find itself overcommitted in terms of its diminished resources.

As Dr. Cheit's study indicates, the large universities, because they have functioned for several decades as key national laboratories, have suffered most critically from the changes in Federal budgets and selective service policies.

As I have indicated above, the universities cannot contract rapidly for their resources are fixed facilities. A Federal policy of starving back graduate education and research because further expansion might create an oversupply of Ph. D.'s is likely to be about as effective as starving all mothers to reduce the birth rate. Some control in the magnitude of graduate education may be desirable, but current Federal policy may quickly and devastatingly destroy the institutions that have proved so crucial to the vitality of this country's economy and scientific accomplishment.

If there is any one point I would like to drive home today, it is that the response to oversupply of Ph. D.'s, saying, "Let's starve off everyone, and that will bring everything back into balance," I think is a devastating policy for the Federal Government to follow.

The Carnegie Commission study confirms that those institutions, large and small, which have taken on the largest burden of providing equality of access to higher education, and have been most responsive to the needs of their communities, are also paying a costly price.

I would conclude with the greatest sense of urgency I can possibly convey to you that a major financial crisis is engulfing the Nation's colleges and universities. I believe Federal action is desperately needed to stabilize a rapidly deteriorating situation. The cost of inaction is unthinkable, if we are to preserve the centers of renewal and advancement that we desperately need.

Thank you very much.

Mrs. **Green.** Thank you very much, Dr. Cartter.

If it is agreeable to my colleagues, I will turn to Dr. Cheit, and then direct questions to both witnesses.

Dr. Cheit.

STATEMENT OF DR. EARL F. CHEIT, UNIVERSITY OF CALIFORNIA AT BERKELEY

(Dr. Cheit's formal statement follows:)

PREPARED STATEMENT OF DR. EARL F. CHEIT, UNIVERSITY OF CALIFORNIA AT BERKELEY

THE NEW DEPRESSION IN HIGHER EDUCATION

I

I appreciate this opportunity to participate in these important hearings on the problems of higher education. On most campuses today, the problem of finance dominates all others. According to one story making the rounds on campus, the Dean summoned his faculty to a meeting to explain the financial situation facing the school. At the meeting the Dean stood looking thoughtfully and sadly at his new budget. He fashioned a little joke: "First," he said, "I'll give the good news: things are bad. Now the bad news: they're going to get worse."

That story teaches two sad lessons. First, you are all familiar, I'm sure, with those complaints of the last few years that college campuses no longer generate good humor. It would seem that the complaints are still justified.

The second lesson is even sadder than the first because the story itself is true. Moreover, it describes the current financial situation and the prospect not of a single campus, but of a majority of the nation's 2,763 colleges and universities, both public and private.

Whether one describes that situation as "The New Depression in Higher Education" as I did on the basis of my recent study; or whether one calls the situation "Going Broke on Campus" as did *Newsday;* or "Universities in Danger" as did the *New York Times*; or "How Colleges Cope with Red Ink" as did *Business Week*, the basic story is the same around the country: higher education has come upon hard times.

II

When did it happen?

No one can fix the exact date which marks the beginning of the depression now settling on American colleges and universities. Nor can anyone point to a major event, like the stock market crash of October 29, that in 1929 dramatized the hard times ahead. Chancellors, presidents, provosts, and deans generally trace the beginning of their financial difficulties to some time in the last three or four years of the 1960's, the time when for most colleges and universities the balance sheet began to show signs of trouble.

Some ingredients of the trouble had been present for a long time. Costs had been rising steadily since World War II. With the 1950's came a rapid acceleration in demands on the colleges and universities, for public service, for new research efforts, and, above all, for new enrollment. The schools were forced to scramble for funds, but they managed to make ends meet.

But what seems to be a new fiscal phenomenon appeared in the latter half of the 1960's—a declining rate of income growth, and in some cases an absolute decline in income. At the same time, due to inflation and growing demands on the schools (for greater service, for broader access, for more research, for academic innovation, for higher quality), costs were rising even more rapidly. For most colleges and universities, the main consequences of the resulting divergence of cost and income began to appear late in the decade, in the academic year 1967–68 or 1968–69. I came to this conclusion after studying the experience of 41 colleges and universities. Let me comment briefly on that study, and then turn to its implications.

III

The study was conducted for the Carnegie Commission on Higher Education, and its findings were published a few weeks ago.[1] The Commission was receiving an increasing number of reports of financial troubles on campuses around the country, and was eager to have a prompt overview of the situation.

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[1] Earl F. Cheit, *The New Depression in Higher Education* (New York: McGraw-Hill, 1971). The concluding chapter of the published study is appended to this statement.

My assignment was to produce for interested persons off and on campus a short, current, factual analysis of the financial health of institutions of various types.

My first problem was how does one measure the financial health of a college or university? There are no handy criteria comparable to profits or price/earnings ratios. Budget deficits are clues to financial condition of private institutions, but considered alone they can conceal as much as they tell. Deficits can be budgeted as a means of stimulating gifts, or they can be avoided by the means of low program aspirations. They can also be a sign of trouble. State institutions can have no budget deficits. They can have quality deficits, which, while difficult to measure and easy to deny, are no less severe for being hidden in diluted programs.

This question—how do you measure the financial health of colleges and universities—was of primary importance not only to the formulation of a sensible study, but is also necessary for development of responsible public policy. On important policy maters we often look hopefully to public debate to clarify and bring order to the chaos of conflicting claims. In California, recent public debate was not instructive. As I interpret the public prescription for the financial health for higher education, it has been about the same as the advice one gets from his friendly, overweight physician. "You could stand to lose a little weight."

My first observation was that if one is going to talk seriously about the financial health of higher education, he must go beyond recent public debate, and in the process identify the "fat in the budget" argument for what it is—a debater's dream. Many businessmen have already done so with a similar maxim, "profits are too high."

Many businessmen have struggled with the problem that if there is a wage increase or a tax increase and their business survives, that will be offered as proof that profits were too high. So, too, we in higher education have been struggling with the problem that if the projected budget of a university or college is cut, and the institution survives that will be passed as proof there was fat in the budget.

That situation is changing rapidly. Both in California and in the rest of the nation, public discussion is starting to move away from slogans and toward standards. My study sought to contribute to that end. I established three classifications of schools: (1) those not in trouble; (2) those headed for trouble; and (3) those in financial difficulty.

For purposes of the study, those colleges and university which could meet current quality and program standards, and could with some assurance plan their projected program growth, were classified "not in trouble." An institution was classified as "headed for trouble" if at the time of the study, it had been able to meet current responsibilities without reducing quality, but either it could not assure that it could much longer meet current program and quality standards or it could not plan support for evolving program growth. An institution was judged "in financial difficulty" if its current financial condition forced upon it a loss of quality or a loss of services that were regarded as part of its program.

IV

Forty-one institutions were selected for study. They were chosen, not as a representative sample of all 2,763 institutions of higher education in the nation, but as schools that are illustrative of the major types of educational institutions. They included:

National Research Universities (7)

Harvard University
Stanford University
University of California, Berkeley
University of Chicago
University of Michigan
University of Minnesota, Minneapolis
University of Texas, Austin

Leading Regional Research Universities (8)

New York University
Ohio University
Saint Louis University
Syracuse University
Tulane University
University of Missouri, Columbia
University of North Carolina, Chapel Hill
University of Oregon

State and Comprehensive Colleges (5)
Boston College
Central Michigan University
Portland State University
Saint Cloud State College
San Diego State College

Liberal Arts Colleges (11)
Albion College
Allegheny College
Beloit College
Carleton College
Cumberland College
Hamilton College
Knox College
Meredith College
Mills College
Pomona College
Whitman College

Primarily Black Colleges (5)
Fisk University
Howard University
Huston-Tillotson College
Morgan State College
Tougaloo College

Two-Year Colleges (5)
City Colleges of Chicago
College of San Mateo
Flint Community Junior College
Gulf Coast Junior College
Mesa College

The study consisted first of gathering for each institution basic income and expenditure information for the decade of the 1960's. The second phase of the study was a visit to each of the campuses and an extensive interview there with campus administrators, usually the president and his administrative colleagues most directly concerned with financing the institution and influencing its academic direction.

V

What did I find? First, that almost three-fourths of the schools studied (71 per cent) were either in financial difficulty or headed for it. The Carnegie Commission staff estimates (by a national projection of my sample) that two-thirds of the nation's colleges—enrolling three-fourths of the nation's students—are in financial difficulty or headed for it.

My study found that all types of institutions are affected. The major private universities have been hit first, but the others are not far behind. Public and private alike are facing increasing financial trouble. No class of institution is exempt from the problem or free from financial trouble. This is illustrated by the following list of schools, grouped by the study classification and categories.

Not in trouble	Headed for trouble	In trouble
National research universities:		
University of Texas, Austin.	Harvard University. University of Chicago. University of Michigan. University of Minnesota.	Stanford University. University of California, Berkeley.
Leading regional research universities:		
University of North Carolina, Chapel Hill.	Ohio University. Syracuse University. University of Missouri, Columbia. University of Oregon.	New York University. St. Louis University. Tulane University.
State and comprehensive colleges:		
St. Cloud State College.	Central Michigan University. Portland State University.	Boston College. San Diego State College.
Liberal arts colleges:		
Hamilton College. Meredith College. Mills College. Whitman College.	Albion College. Allegheny College. Carleton College. Cumberland College. Knox College. Pomona College.	Beloit College.
Primarily black colleges:		
Howard University. Morgan State College.		Fisk University. Huston-Tillotson College. Tougaloo College.
2-year colleges:		
College of San Mateo. Flint Community Junior College. Gulf Coast Junior College.	City Colleges of Chicago. Mesa College.	

Twelve schools (29 per cent) were classified "not in trouble." Although it is natural to try to find one unifying explanation that accounts for any school's being not in financial trouble, there is almost certainly not a single theory that will do so for the schools in this study. It is always easier to determine the causes of impaired financial health than it is to determine the cause of continued good health. I concluded that there are at least 10 important conditions present, among them, that the only public institutions "not in trouble" were in the South; that no large private research universities were in the group; that the Northern schools not in trouble were, in the main, not in urban areas; they were less affected by campus disturbances; they had much smaller student aid expenditures.

Even so, these institutions show early signs of financial trouble. For some, the situation will probably deteriorate. All are beginning to feel the same cost-income problem affecting higher education. Let's look at that general cost-income problem—starting with the income side.

VI

For all schools income grew during the first seven years of the decade at the rate of between 8 and 10 per cent per student per year. But the rate of growth declined in the last three years. The reasons for this declining rate of income growth were declining growth rates in Federal Government support, gifts and grants, and endowment income. Until recently, state appropriations had continued their past rate of increase except in California and a few other states. However, some schools had already felt, and many more are anticipating, the effects of a reduced rate of state support.

Colleges and universities are increasing tuition rapidly—the current annual increase is about 7.5 per cent. But many fear that they cannot for long continue to raise tuition at this rate, for it will deny access to some, and put some private schools in a poor competitive position.

What about costs? As with all organizations, they continue to rise.

At each campus in this study, the administrators were asked in the interview to identify the main components in their institution's cost situation.

The interview responses can be summarized in a list of five main components of the cost side of the problem. These are: (1) the effects of inflation; (2) rising faculty salaries; (3) rising student aid: (4) campus disturbances, and theft and destruction of property; and (5) growth in responsibilities, activities, and aspirations.[2]

Although the factors would not apply equally at each school, these five factors can be said to account for the historic rise in costs. In the study, we sought to determine the impact of each factor and the control campuses had over each. This permits us to estimate how much income the schools will need.

The analysis shows that given the recent rate of inflation (4.2 per cent) even under a determined policy of prudence, costs will rise between 6 and 7 per cent per student per year. If the rate of inflation could be reduced to 2 per cent per year, a policy of prudence would still require an annual income increase of just over 5 per cent. We then estimated what a stringent, rock bottom, and improbable budget (except for short periods of time) would require; the answer, at recent rates of inflation, was a 3.5 per cent increase in expenditures per student per year.

At today's rate of inflation (about 6 per cent), our estimate shows that a minimum growth policy requires at least 8 per cent per student per year in new income. Several schools I have checked recently are estimating about 3 per cent per student in new income. One is assuming none. Another is planning for an increase of 5 percent per student. In contrast, the Governor's budget proposes for California's public institutions a decrease of about 4 per cent per student.

VII

Let me restate two of the main findings of my study: (1) there is a current cost-income gap of at least several percentage points per student; and (2) this gap cannot be closed by the institutions alone, but will require additional funding. Other studies have produced similar findings. In recent weeks there has been extensive press coverage of the problem. The experience of schools has been analyzed, and the problems explored in some depth. Along with many others, I have complained about some press coverage of campus disturbances. I now want to give credit to the press for the way the depression in higher education has been handled.

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[2] Two points should be stressed about these factors. First, they are not mutually exclusive. The first factor—inflation—influences the others in a variety of ways. Second, the last one—growth in responsibilities, activities, and aspirations—is in part a residual factor. It is intended to cover several types of costs cited in the interviews. These include those costs often associated with the "knowledge explosion," with its increase in demand for more sophisticated equipment, such as computers. It also includes the costs associated with new academic and community activities of campuses, increased operating costs of new buildings put into service, any increases in per-student costs attributable to enrollment growth and new legal responsibilities under social legislation for unemployment benefits, minimum wages, etc.

What these media reports show is that colleges and universities are being forced to make adjustments, some very painful adjustments, to their new economic situation. How serious is the situation? Serious enough to give presidents nightmares. As I understand them, there are at least three kinds.

First, there is the nightmare of the president of the small liberal arts college: his school opens next fall but no freshmen show up. In competition with other types of institutions, his school has been priced out of the market.

The president of the large private university has a different nightmare. Next fall his school opens and the freshman class is there, but it consists entirely of sons and daughters of wealthy parents, and a few from very poor families. They are the only ones who could find the money to pay the tuition the institution is forced to charge.

The president of the public college or university has still a different nightmare. His school opens next fall and several freshman classes are there. Swamped by numbers and short of money, his school is qualitatively leveled.

VIII

How closely do these nightmares correspond to reality? Closer than you might think. Private institutions report a sharp drop in applications. Declines of 15 to 20 per cent in applications are not uncommon and for the first time since the 1930's, some colleges are privately worried about filling their freshman class. According to a recent newspaper report, this year "one small liberal arts school in Georgia, accustomed to 350 applicants, has only seven."[3]

As to the large private university, its cost-income problem has forced tuition up to very high levels. Fixed fees at Harvard are now $4,470 a year, not counting travel or incidentals. Other private universities are, give or take a few hundred dollars, within that range. Students of middle income parents cannot afford to attend these schools without financial aid. The president of a large private university told me recently that the median parental income of students applying for financial aid at his institution is now well over $16,000 a year. That is why he is having nightmares.

In his nightmare the president of the public institution sees a rising sea of students, surrounding a shrinking island of money. And with good reason. At my own institution, since 1966–67, and including projected enrollment for next year, the University has added a 34 percent increase in enrollment, with a 6 percent increase in budget (when adjusted for inflation). When added to the effects of earlier budgets, this would give the University of California (in constant dollars) 20 percent less money to spend on each student than it had five years ago. Even in the Great Depression, the University of California was not forced to reduce its faculty. If the budget now before the legislature is adopted unchanged, the University of California will be forced to eliminate more than 100 faculty positions, while at the same time it is enrolling 4,000 additional students.

In short, the small liberal arts colleges see growing evidence of financial peril; the private universities are legitimately concerned about being forced to become wealthy enclaves or to lose their important role in the discovery of knowledge; and the public institutions are threatened with a serious erosion of quality.

While this sounds rather pessimistic, there is one aspect of encouragement I can offer. (Unlike the Dean's story, I gave the bad news first.) The encouraging aspect is that, unlike many of the problems we are dealing with, this one can be solved. I say this for several reasons. First, relative to other problems the actual amount of money involved is not large. If we assume a cost-income gap per student of several percentage points, this means that the nation's colleges and universities need between $300 and $700 million in additional operating income.[4] When we recall that this would come from federal, state, local, and private sources in 50 states, it is hardly a frightening sum. Indeed, at the lower levels, it comes close to the amount that a couple of our largest corporations are now seeking or getting from the federal government in public support for private business.

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[3] *New York Times*, February 27, 1971, p. 1.

[4] Capital outlay needs are not included in this estimate.

The second reason for encouragement is that newer educational models—the three-year undergraduate program, the off-campus degree program, for two—should in time bring some relief from rising costs.

The third reason I believe the problem can be solved is that by the late 1970's the enrollment crushes which have characterized the last 15 years will have eased.

These reasons promise longer term relief, but the depression in higher education is here and now. What will it take to make the new depression a short depression?

I would emphasize four essential conditions. First, there must be an awareness in the colleges and universities that to motivate additional investment in higher education the campuses must reveal themselves as reasonably governable, reasonably efficient in internal operations, and that they must engage in activities whose purposes the supporting public can understand and respect. No one wants to tempt fate by affirming that this condition is being generally achieved, but a growing amount of evidence supports that view. Campus attitudes are changing.

Second, there must be an understanding that there is a money crisis in higher education—and that the crisis is growing. I believe that this point is becoming generally understood. When I did the study some six to eight months ago, I found considerable pessimism among academic administrators about how generally their situation was known off the campus. I am fairly confident that I would not find that to be the case today. Public understanding has moved rapidly as the facts of school finance have become more generally known.

The third condition I would emphasize is the realization that although the colleges and universities can make (and have made) cuts, they can not cut their way out of their financial problem. There is also growing understanding of this point, but it is still fragile. On this point one encounters an interesting case of role reversal. For several years now, college officials have been facing critical audiences asking about those disturbances on campus. "It seems to me," someone would assert, that "the campus is in bad shape." The president would reply "we have some problems, but fundamentally we are in good shape."

Today we find presidents telling their public audiences, "we are in a crisis and need help." But now audiences are telling them, "you may have some problems, but fundamentally you are in good shape." Most are not. They need help.

This brings up the fourth condition, namely, the need to acknowledge that the schools do need help, and that there must be a commitment for additional investments in higher education. This point must be emphasized for two reasons. Some people are inclined to believe that although there are problems in higher education, they will be solved when the stock market begins to rise, and the war in Vietnam is phased out. As welcome as these events would be, there is no reason to believe that they will automatically solve the problem. There is a need for conscious policy. Another reason to emphasize the need for more investment in higher education is that there is an obvious temptation to use the growing number of studies about the need to reform higher education as an excuse for not facing the hard money problems. This argument reminds me of the classic dodge of the husband whose wife wants to buy a dishwasher. He tells her, that it wouldn't be wise to spend the money because they haven't perfected them yet. Higher education hasn't been perfected yet, but if we use that as an excuse to avoid facing the money problem, it will take much more than reform to restore institutions that were built up over decades.

In this statement, I have emphasized the financial problems of higher education and have not sought to go into the varieties of support needed for their solution. The commitment to invest in higher education involves state, local, private, as well as federal action. I would like to conclude this statement, however, with a brief comment on the need for new programs at the federal level—programs that help students and programs that help institutions. This need for both student and institutional support is also becoming much more widely understood. Just within the last two weeks, investigators from the executive branch of government have visited with me in Berkeley as part of background studies being made for a possible institutional support program. I have been encouraged by these visits, and by the growing recognition of what is needed to deal with this crisis in education finance.

Such an overall program will involve difficult problems of public policy to meet the necessary equity and policy criteria. It should not be adopted hastily, for the first steps will determine much of the future history of higher education. It is important that what comes from your deliberations be a good program—one that meets the tests of social justice, of autonomy for the institutions, of federal initiative in higher education policy, and of the integrity of the schools. That is a large order, but I am confident it can be filled.

Perhaps more than you know, the hopes of higher education go with your work here. You have my best wishes for success.

Thank you.

[From *The New Depression in Higher Education,* by Earl F. Cheit (New York: McGraw-Hill, 1971), pp. 137–156]

APPENDIX

IX. SUMMARY AND SOME CONCLUDING OBSERVATIONS

At the outset, we described how this study was initially sponsored by the Carnegie Commission on Higher Education and the Ford Foundation in response to the urging of several college and university presidents. The presidents were alarmed by the growing money crisis on their campuses and were eager to learn how general the problem was and to find out more about what other institutions were doing in response to it. Thus the main effort of this study was directed toward answering these three questions: (1) What are the characteristics of the financial problem facing higher education? (2) How general is the problem among institutions of different types? (3) How are the colleges and universities responding to their financial problems—with programs, cost reduction, and income production?

We summarize briefly the main overall findings responsive to the above three questions here, and we add a fourth question concerning the effects of medical schools on university costs. The final section of this chapter will present the author's views about several additional questions that naturally evolve from a study like this.

1. What are the characteristics of the financial problem facing higher education?

The essence of the problem is that costs and income are both rising, but costs are rising at a steady or a slowly growing rate, depending on the period and the measure used, whereas income is growing at a declining rate. The rate of growth of expenditures may decline in any given year—as it has at some schools for 1970–71—but the longer-range trend has been toward a growing rate of costs. For most colleges and universities, the main consequences of the resulting divergence of cost and income began to appear in the academic year 1967–68 or 1968–69. This financial problem arose immediately after a decade of unprecedented growth in higher education. But, contrary to what might be expected, that growth had not protected the schools but may well have made them more vulnerable to a downturn. Many were undercapitalized, overextended, moving into enlarged areas of responsibility without permanent financing, or still raising quality standards. Because the increasing demands on the schools (both from without and from within) for research, for services, for access, and for socially current programs are an important part of the reason for cost increases, the cost-income problem is far more than the consequence of inflation, overextension, and an external economic downturn.

The experience of 41 schools is examined in this study. Total current fund expenditures have been rising during the 1960s at the rate of 8.1 percent per student per year. For the schools in financial difficulty it has been 10.3 percent. Campus interviews identified five important components of expenditure. Their percentage point shares of the cost growth during the last three years of the decade are estimated in this study as (1) general inflation, 2.4; (2) faculty salaries, 2.0; (3) student aid, .9 to 1.7; (4) cost of campus disturbances, .3 to 1.0; and (5) growth in responsibility, activities, and aspiration, 1.5 to 3.5. Almost all institutions in the study are cutting expenditures, and most private schools are being forced into deficits. For most, the expenditure rate has dropped sharply in the last year or two. But they appear still to be running behind.

Income has been growing, but the rate of growth has been declining in recent years. The components of this declining rate of income growth are declining growth rates in federal government support, gifts and grants, and endowment income. State appropriations have, in most instances, continued their past rate of increase. However, some schools have already felt, and many more are anticipating, the effects of legislative backlash.

Colleges and universities are increasing tuition rapidly—the current annual increase is about 7.5 percent. Many fear however that they cannot for long continue to raise tuition at this rate, for it will deny access to some, and put some private schools in a poor competitive position. Moreover, the overall situation is getting worse. The rate of income growth reported for the academic year 1970–71 is substantially smaller than for the year 1969–70.

Our estimate is that income will have to grow at the rate of 6.5 percent per student per year for many schools to break even at the present level of inflation—assuming that they cut growth in costs, and presumably some absolute amount of costs, significantly below the average of the last decade. Our projections, however, are that income cannot be expected to grow as much as 5 percent per student per year, and this is supported by what little hard evidence is now available. If this proves true, the schools will have to live on budgets approaching "rock bottom" which allow for substantially no growth at all in several major cost components.

2. How general is the problem among institutions of different types?

On the criteria used in the study, 29 of the 41 colleges and universities in this study (71 percent) were, at the time of the campus visit, headed for financial trouble or were in financial difficulty. The remaining 29 percent, 12 schools, were considered not in financial trouble at the time of the campus visit.

For purposes of this study, an institution was judged in financial difficulty if its current financial condition forced upon it a loss of program or services that are regarded as part of the program. An institution was classified as headed for financial trouble if, at the time of the study, it had been able to meet current responsibilities without reducing quality, but either could not ensure that it could much longer meet current program and quality standards or could not plan support for evolving program growth. Those colleges and universities which could meet current quality and program standards and could, with some assurance, plan the program growth they wanted, were classified not in financial trouble.

Since the 41 institutions selected for study were not chosen as a random sample of all 2,729 institutions of higher education in the country, this finding does not mean that 71 percent of all schools in the United States are in financial trouble or headed for it, or that 29 percent are not. The finding means, precisely, that these are the figures for the 41 schools at the time of the campus interview. (Even the figures for these 41 schools have changed since the interviews.)

Although this finding alone does not warrant a general conclusion about all United States colleges and universities, the study does permit certain generalizations about how common the problem is. First, it is clear that all types of institutions are affected. The study included a sample of national research universities, leading regional research universities, state and comprehensive colleges, liberal arts colleges, primarily black colleges, and two-year colleges, and, of course, both public and private institutions. No class of institution is exempt from the problem or free from financial difficulty. This is illustrated by the following list of schools, grouped by our study classification and categories:

Not in financial trouble	Headed for financial trouble	In financial difficulty
National research universities:		
University of Texas, Austin.	Harvard University. University of Chicago. University of Michigan. University of Minnesota.	Stanford University. University of California, Berkeley.
Leading regional research universities:		
University of North Carolina, Chapel Hill.	Ohio University. Syracuse University. University of Missouri, Columbia. University of Oregon.	New York University. St. Louis University. Tulane University.
State and comprehensive colleges:		
St. Cloud State College.	Central Michigan University. Portland State University.	Boston College. San Diego State College.
Liberal arts colleges:		
Hamilton College. Meredith College. Mills College. Whitman College.	Albion College. Allegheny College. Carleton College. Cumberland College. Knox College. Pomona College.	Beloit College.
Primarily black colleges:		
Howard University. Morgan State College.		Fisk University. Huston-Tillotson College. Tougaloo College.
2-year colleges:		
College of San Mateo. Flint Community Junior College. Gulf Coast Junior College.	City Colleges of Chicago. Mesa College.	

Of the 18 public institutions in the study, 7 were classified not in financial trouble at the time of the campus visit, 9 were classified headed for financial trouble, and 2 were classified in financial difficulty. Of the 23 private institutions, 5 were considered to be not in financial trouble, 8 were considered to be headed for financial trouble, and 9 were considered to be in financial difficulty. Two of the primary black institutions were classified not in financial trouble, and the other three were classified in financial difficulty. The two Catholic institutions in the study, Boston College and St. Louis University, were both considered to be in financial difficulty. Both of the two women's colleges studied—Meredith College and Mills College—were not in financial trouble.

The cost-income problem has most severely affected institutions in urban areas. It would appear that private institutions and schools in the North are most severely affected. As a group, the private research universities are the hardest hit, but there are other types of institutions that are seriously affected.

Based on their large number in the study, the group of schools headed for financial trouble would seem to be the most representative. In addition to the category headed for financial trouble listing the most schools, this group invites that judgment because of their representative distribution by type of institution in the study. None of the primarily black institutions in this study, however, falls within this category.

Whatever the precise number of schools in financial difficulty or in crisis, it is most significant that, even among schools not in financial trouble at the time of the interview, the effects of the cost-income problem were being felt. Expenditures for these schools are declining, and it is clear that they will not be immune if the gap between expenditure and income continues. In this sense, the financial problem is universal among the schools studied here.

3. How are the colleges and universities responding to their financial problems?

The schools not in financial trouble were classified as such because they are making no cuts in program or in planned program growth based on financial condition. The other schools are making such program responses.

The schools headed for financial trouble are engaging in a variety of program cuts and changes in plans, which can be summarized as postponing planned program growth. This is one of the first methods of absorbing the impact of declining income. Almost every school headed for financial trouble has postponed and is postponing academic program plans. Taking these schools as a group, the courses and programs postponed cover most disciplines and include undergraduate and graduate work. At the time of the campus interviews, there were limited efforts at cutting academic costs to permit reallocations from one academic activity to another. This is being done by not filling staff vacancies and by cutting marginal academic programs. There is very little evidence that the schools headed for financial trouble are cutting out academic programs, other than summer schools, or making important reallocations that, in effect, change academic structure.

Schools rated in financial difficulty have, by and large, gone more deeply into that phase of cost cutting, and some have begun to drop departments and graduate majors. But these changes in structure still occur only at a minority of schools. The responses, other than these program responses, are generally of the belt-tightening variety. They may cut some costs below current levels as well as cut the growth rate of costs. These responses follow the likely sequence of cuts in maintenance first, with the next cuts being in expenditures for supplies, equipment, and travel. Funds are dropped for experimental programs and extracurricular activities and events. The pressure of the cost-income squeeze is strong enough that schools have begun to reduce funds made available for student aid and special admissions. There are reductions in campus communications budgets, cultural activities, and certain kinds of student services. Also, there typically are cuts in the number of nonacademic employees.

The almost universal response of all categories of schools is to seek more funds, especially from private sources. Almost all schools in the study are intensifying efforts in this direction, or are starting a development office if they have not had one before.

There is more planning, with money as the key variable, than ever before in all institutions. Finally, there is a universal response of worrying. The trends, for most schools, are not good.

4. Are medical schools an important factor in the financial trouble of universities?

We know from other sources that medical schools are in financial difficulty. A special report on medical education by the Carnegie Commission (1970) indicates that medical and dental education is critically underfunded and recommends policies for increased financial support.

We discussed the medical schools' financial problems briefly in Chapter 1 and noted that their problems are special and that they were excluded from this study. In order to identify whether the financing of a medical school might be a significant variable in analyzing the parent institutions studied here, our interview guide did, however, include one question (number 4), namely, "Is the medical school a significant factor" among the major factors influencing the financial situation? The responses to this question would seem to show that medical schools are not invariably an important factor. They may or may not be a factor at any given university.

Of the 41 institutions in this study, 13 have medical schools. Among the schools not in financial trouble, there are three with medical schools. At two of them—Texas and North Carolina—administrators reported that the medical school was not a significant cost factor to the campus. Texas gets a separate appropriation for its medical school. At North Carolina, income from clinics assists in financing expansion. Howard University reported that its medical school is the most expensive unit on campus and is a cost factor of some concern.

Among the schools headed for financial trouble, there are six universities with medical schools. Two of them—Michigan and Minnesota—clearly believe the medical school is a significant cost factor to the campus. Administrators at the University of Michigan reported that medical school salaries represent 12.1 percent of the university's total instructional and departmental research expenditure. Similarly, administrators at the University of Minnesota reported that the medical school was seriously underfunded and was a major financial problem to the campus. Only 24 percent of its support comes from state funds, and recent cutbacks in federal funds for medicine have hurt the university greatly.[1] The University of Missouri has a medical school at Columbia which does not present a serious financial problem. Administrators are concerned about a prospective drain from a new medical school being built at Kansas City. There were no reports that medical schools at Chicago, Harvard, or Oregon posed special financial burdens on these universities. If they are especial burdens, the interviews did not identify them.

Finally, there are four universities in financial difficulty that have medical schools. Each of these, according to the university administrators, is a significant financial factor. Tulane administrators report that the medical school is a major financial drain. New York University administrators report the same thing. At Stanford University and St. Louis University, administrators report that the medical school is a significant element in the overall financial difficulty of the university, and they are in the process of cutting back support as much as possible.

Further examination of the interview responses shows that where the medical school is an important factor, the parent institution is often working to make the medical school financially independent. Partly, of course, this is a defensive measure—a precaution against the medical school becoming a very serious drain on the parent institution. Partly, it is an effort to maximize income from the medical school. Finally, it is also an effort to clarify the cost and income relationships of these important facilities and improve the case of additional public support. To the extent that these efforts to put medical schools on their own isolate their financial problems, it might be argued that medical schools are no longer a factor in the parent institution's financial condition. But it would seem more realistic to consider medical schools as part of the parent institution.

RELATED QUESTIONS

The study and summary of the new cost-income problem and its effects lead naturally to other questions, questions which are not the main focus of the study but grow out of such an inquiry. Some of the data gathered speak to these questions, and they will be referred to here, but this concluding section consists primarily of the views of the author. There are two introductory points to make.

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[1] Medical school data for these and all other schools studied, except the universities of Missouri and Chicago, St. Louis, and Tulane, are excluded from the financial data used in this study.

First, this study makes clear that the money crisis in higher education is indeed real. Almost no school is immune from its effects. For most schools, it will mean serious problems of retrenchment and readjustment. As this study has shown, the extent to which colleges and universities of all types are in economic trouble is great, and they are genuinely working at reducing their financial difficulties. But the schools cannot solve the problem alone. Public policy must help.

Secondly, the previous chapters about the financial problems of higher education reported and analyzed the views of academic administrators. These are not the responses of disinterested observers. They all have a stake in the outcome. We have seen that there is no single "academic establishment" line. Yet it seems useful to add to the previous chapters the views of an outsider.

These comments are directed to four main questions: (1) Is the money crisis on campus having beneficial effects? (2) Are the schools doing enough to gain control of their financial situation? (3) How serious is the financial problem likely to become if present trends continue? (4) What broader issues must colleges and universities face as a result of their financial problems?

1. Is the money crisis on campus having beneficial effects?

Adversity is not always without benefits, and in this study we attempted to find out the extent to which the colleges and universities found (or made) it an opportunity as well as a burden. At each campus the administrators were asked in the interview (see Appendix, Question 19), "Has your financial condition produced desirable results (i.e., chance to get rid of 'dead wood,' a needed impetus toward reorganization and reduction of inefficiency, more attention to cost, productivity, program goals, etc.)?" The question was applicable at 29 of the 41 colleges and universities studied, those considered headed for financial trouble or in financial difficulty. We have rather probing responses from 25 of these 29 institutions. Some of the answers are confidential. We present all the information in summary form and do not identify it with particular institutions.

First, it is noteworthy that administrators at only three schools responded with an unequivocal "no" to the question, "Has your financial condition produced desirable results?" At two of these schools, the administrators said their money crisis was an unrelieved burden, and, at the third, the president and his staff said the crisis could also produce some advantages, but the administrators did not have enough control of the internal situation for that purpose.

The second noteworthy finding is that administrators at only four of the schools said that their money situation has afforded an opportunity to "get rid of 'dead wood.'" They included in "dead wood" certain functions performed by their schools, as well as individuals in academic, nonacademic, and administrative posts.

Given the degree of financial difficulty on the campuses, 4 out of 29 seems like a rather small number of campuses energized to use their financial situation to eliminate nonproductive or nonessential functions or positions. It is hard to believe that there is not a greater need and opportunity to reorganize. An analysis of the interview responses from the campuses indicates there are several reasons why administrators at only four schools say they are "eliminating 'dead wood.'" First, some have (in the words of one president) "been poor too long" to have any "dead wood" left. Several of the schools in this study have been in financial difficulty long enough to have taken whatever organizational advantages there are in financial adversity.

A second reason why adversity has not been of greater importance in reorganization is that most institutions are still in the process of deciding what "wood" is, in fact, "dead." As we have seen, cuts tend to be of future program commitments or general rather than selective reallocations dictated by a system of priorities.

Not only are the schools mostly still deciding, but even when there is a good administrative position on what should be cut, there is a third reason why the cut may not yet have taken place: There is still not enough support for it on campus. This, in turn, indicates the fourth reason for less pruning than one might expect (and, as administrators might like to do): They do not either have or use the organizational authority to make the kinds of reallocations they would like. In one school the administrators reported that the financial crisis had improved their bargaining position with the faculty and would be helpful in making needed changes.

The main beneficial impact of the money crisis on campus has been to make administrators, faculty, and students more cost conscious. On 15 campuses, administrators said there was much more husbandry as a result of their problems. The major impact has been to create impetus for cost analysis, for installing or talking about installing program budgeting, and for attempting to work out a system of priorities.

We are not able from the interviews to evaluate the effectiveness of the measures being adopted as a result of this new cost consciousness. Two measures seem to have promise beyond that usual for cost cutting and efficiency measures taken in adversity. One is the plan for program growth by resource allocation, being seriously tried on some campuses, and the other is the interinstitutional cooperation in certain high-cost fields being developed in some areas of the country.

The consequences of this new cost consciousness range from general willingness of faculty to accept higher enrollment (or abandon efforts for lighter teaching loads) as an economic necessity, to greater student and faculty participation in the budget process, to the prevention of undisciplined growth. At one institution the senior faculty have offered to accept a pay cut if that proves necessary.

At an institution which grew rapidly in the past decade, the president is facing a serious financial problem. Members of his staff told the campus interviewer that the cost-income problem had one good effect for schools like theirs, for it was for the first time in many years forcing the school to determine what is really important. Most schools in this study are just beginning to face this job in a serious way. That is the main by-product of a deteriorating financial situation.

There is another by-product of the cost-income squeeze—although it is not one that is characterized as beneficial in the short run—and it is that college and university finance is being brought to a more realistic basis by the declining rate of growth of government research funds. That decline imposed serious hardship on individuals affected and seems to be having more impact on institutions than one would suppose given the basic terms and intent of such federal aid. This is occurring because the reduction in federal support reveals that in some institutions federal money found its way into the operating budget, through overhead funds, through split appointments, and even through tenure appointments supported by "soft" (government research) funds. This means that some of our colleges and universities have been operating on funds not intended for operations and that the actual costs of colleges and universities have been understated. The public should have a better understanding of the cost of operating their colleges and universities. A good system costs more than most think, and the current squeeze will help make that clear.

2. *Are the schools doing enough to gain control of their financial situation?*

Certainly, those institutions we have classified headed for financial trouble, and especially those in financial difficulty, are doing much to relieve their financial problems. Even the schools not in financial trouble are cost conscious, and, as we saw in Chapter 4, are reducing their rate of expenditure growth. Given the magnitude of the financing problem, one cannot insist that, if these measures do not ensure solvency, they are inadequate. We have seen that cost cutting alone cannot be expected to solve the cost-income problem. Nor is it likely that any other policies of the schools alone will suffice.

If we ask, instead, whether the schools are doing enough to reduce expenditures and increase income in order to maximize their ability to resist the cost-income squeeze, then the answer one fairly derives from this study is "not yet." The colleges and universities are making efforts to increase income and to reduce expenditure through methods such as those described in Chapter 5. They are making increased efforts to secure their campuses against disturbances, and they are directing attention to more efficient operations. Our interviews reveal an increasing interest in measuring productivity and in increasing efficiency of operations. On some campuses today there is talk about the possibility of increasing teaching loads. We have not emphasized these developments in the effort to reduce costs because it is still too early to determine what their effect will be.

What does not come through to the visitor to the campuses is a sense that the institutions are deeply involved in establishing a set of priorities or that they have the administrative direction or authority to reallocate money promptly in accordance with their priorities. If our judgment of the severity and duration of the financial problem is sound, then this capacity to get beyond the usual fundraising and cost-cutting measures, to get promptly into the establishment of priorities and use of effective administrative machinery, is central. It seems a necessary condition for the maintenance of quality under financial stress.

If the schools are "not yet" doing enough, we are entitled to ask why they are not doing more. Are administrators looking everywhere but at themselves? How can a private school run a deficit and not simply cut down on expenditures? Why should a public institution have to cut quality? Can't it simply reorganize its academic program? The answers are that the schools headed for financial trouble and in financial difficulty are making adjustments to their new financial situation. That is the main fact of their situation. But as they consider the kinds of adjustments they might make, administrators of public and private institutions face certain problems which prevent them from taking the kind of prompt, decisive acts which the above questions seek.

Any planned adjustment of funds between academic fields must take account of faculty tenure as a bar to flexibility and the academic traditions that precludes laying off faculty. There is a difference in expectations between campus and industry. It may be due to the higher pay and better prerequisites that go with market hazards, but whatever the cause, college presidents have a harder time effecting a reduction in force than do executives in private industry or government officials.

Proposed changes in campus structure that significantly reallocate resources face several barriers. There is little general credibility on campus for sharp cuts. This may change soon, but as of the time of this study, administrators in many institutions report they do not have support for major decisions requiring sharp cuts or reallocations of funds. Partly this reflects history. Schools tend to change primarily by growing, not but cutting or rearranging. Schools, therefore, do not have the decisionmaking apparatus needed to make and effectuate important new priority decisions. Therefore substantial reductions or changes that involve basic assumptions about the institution and its major programs are not made until they can no longer be avoided. The issue of teaching loads will not come up until forced by very serious economic circumstances.

There are other reasons why institutions are not making more decisive moves now. Some administrators believe that the new depression in higher education will end by the middle of this decade. They believe that a combination of price, labor market, and funding policy changes will improve their situation. They are planning for a period of several years of difficulty and believe they should avoid retrenchments designed for a longer run. Those administrators who are less optimistic about the length of time of this depression may be reluctant to move quickly; they believe that ground lost this way is difficult to recover.

Finally, to ask for prompt decisive acts to balance the books may in fact be shortsighted. It has often been the case in higher education that an institution built quality by taking risks, by expansion, even by what, at the time, seemed overextension. This is true of public and private institutions, and true of their capital programs as well as their academic programs. In short, what might look like a failure to adjust to depressing conditions might with hindsight be visionary.

As public and private institutions ponder their moves, each faces some special problems. Private institutions have somewhat more fluctuating sources of support. Their growth has been undersupported. Given their greater expenditure per student, they have probably been forced more than have public institutions to use federal government funds to support their operating budgets. If so, they are being especially hurt by the cutback in government funds. These institutions worry about the competition for students with public institutions. They have maintained high standards and, despite the above barriers, have more flexibility than the public institutions. Their strategic problem in making adjustments is to redefine their purpose while getting needed new financing. More of it will have to come from public sources.

The public institutions have not yet been hurt as much as the private ones. Given the growth burdens they have been assigned, they have done remarkably well, with relatively low expenditures per student. Their problem is to avoid being leveled by the new depression. Administrators fear that good public institutions may be denied the resources to compete on quality terms with the best private schools. They seek more private money and a public commitment to quality.

In addition to the problems discussed above, the adjustment problems of public institutions are more complex than those of private institutions. An administrator at one public institution in this study gave us a compelling account of the rigidities that a public institution faces in making definitive readjustments in the allocation of resources. We quote here from the memorandum he generously sent us:

"We are locked into an income pattern that is far more rigid than is generally understood, and from my experience, I believe what is true of us is in some degree true of all public institutions. Our income comes to us essentially in the form of some 20 separate appropriations, the great majority of which are earmarked for particular purposes. State funds are restricted to a legislated set of program heads, fee income to another, and federal funds to another. We have more freedom in regard to gifts and endowment fund income, but even here State policy constrains their use within certain territorial preserves.

"Within the State fund appropriation there are 16 separate control appropriations. Constitutionally the governing board has the power to shift funds between these 16 heads. But experience has made it clear that the State (a) views funds foregone in one appropriation as returnable to it, and (b) has the power to (and will) take steps to veto what it considers to be unauthorized permanent augmentations of any individual appropriation. Thus de facto we are precluded under the present structure from making the kind of large-scale horizontal adjustments which, given complete administrative freedom, might be the means of amalgamating the available resources to sustain central program priorities (*e.g.*, eliminating student health service or cutting back severely on plant services to maintain the student-faculty ratio). Of course, realistic planning would contemplate getting some of these rigidities alleviated. One of the unfortunate byproducts of disruption and the consequent disaffection is that more budgeting flexibility has become less likely.

"There are other policy-type restrictions which impede public institutions from making the kind of adjustments within program heads and appropriations which might at least enable us to ease the financial squeeze on the programs we consider the most important educationally. For example, we have considered the possibility of eliminating completely one or more schools or colleges or departments and diverting the released resources to other programs. But we are required by the State Higher Education Plan to accommodate the large number of students assigned to us. Hence eliminating one unit means in essence transferring the students. And while one might generate some savings by transferring students in this fashion, the simple fact is that (excepting some areas of Engineering) the annual cost per student of our departments generally falls in a range from $200 a year to $1,000 a year. Thus, short of educationally dysfunctional shifts which would transfer large numbers of students from high cost to low cost areas, no massive savings can be made by this route. The situation is complicated by the fact that the more 'efficient' areas tend to be the most expensive (*e.g.*, a Ph. D. in Chemistry, Physics and Electrical Engineering—where most who start finish, and do so on schedule—costs about ⅔ of the Ph. D. in Sociology—where attrition is high—but the annual cost per enrollment in the former fields is at least 5 times that of the latter). And since we can't budget on a multi-year basis, 'efficient' reallocations don't help the income-cost squeeze.

"The situation is further complicated by the fact that the academic departments represent tenure and other types of academic personnel commitments which cannot readily be undone in the short-run. In large measure they are fixed costs.

"You ask what are the controls on a public institution's freedom to make program adjustments that would bring its cost and income curves together without seriously impairing the quality of its essential programs. I have cited our rigid income pattern and the problems of trying to effect internal economies. I shall add one more, the attitudes which surround the budget-making process. On the one hand, the faculty and students expect that the institution's budget requests will continue to express the real needs of the educational program as they see them (*i.e.*, that they will seek to restore established standards of support, to sustain existing commitments, and to provide for incremental changes). On the other hand, the external budget review agencies automatically start from the position that an institution's financial plan establishes the ceiling within which the annual budget review takes place. Thus a public institution aiming to solve its income-cost problem by a long-range budget plan based on a realistic prediction of future State appropriations, in effect is enunciating a self-fulfilling prophecy. This is a course action, moreover, which not only eliminates its chance (however small) to sustain the quality of its programs by eventually convincing the review agencies that it is in the State's interest to preserve educational standards; it also hazards appreciable internal disaffection and misunderstanding.

"The situation is greatly complicated for institutions whose State legislatures appear to be hell-bent as a matter of policy on securing an overall increase in faculty "productivity" (*i.e.*, input) irrespective of financial considerations. For such institutions, the development of budget plans based on what might seem to them to be realistic prognostications of future income are unlikely to head-off this policy thrust thereby. Consequently, they invite a kind of double jeopardy."

It is no surprise that the proposals of private institutions for public funding are careful to avoid this kind of state control. And it is no surprise, in view of these rigidities in making adjustments in expenditures, that academic administrators prefer solutions based on increasing income.

3. How serious is the financial problem likely to become if present trends continue?

Throughout this study we have shown income and expenditure trends for schools in different conditions of financial health. One thing all schools have in common is that they are likely to be in financial difficulty if the present trends continue. This conclusion from our data is confirmed by other important indications that the situation is deteriorating further. Even in the brief time since our campus interviews, the prospect of schools in this study is changing. At two of them, College of San Mateo and University of Michigan, certain financial issues were pending at the time of the interview; we checked back later and both schools are worse off.

The College of San Mateo was considered not in financial trouble. Today, it would have to be classified as in financial difficulty. A local tax measure to continue its current level of finance, and increase it slightly, was defeated by the electorate, automatically returning the college to its pre-World War II level of tax support. The school is now planning to reduce its staff by a full 40 percent, and it will reduce enrollment accordingly. Its president believes that school, which has been highly regarded in the community, lost its tax support for four reasons: (1) general revolt against high taxes; (2) a reduced regard for higher education generally; (3) a reaction of older people against the current styles of younger people; (4) lingering resentment against some campus activities following the May, 1970, invasion of Cambodia.[2]

The Michigan legislature reduced appropriations for the University of Michigan much below what the school had anticipated. According to our subsequent conversations with the campus, a visit today might bring it close to the in financial difficulty category.

All other evidence points in the same direction. Seven of the eight Ivy League schools had to operate through deficit financing in 1969–70. Harvard, as we saw in Chapter 5, did not, but it, too, may be forced into deficit financing for 1970–71.

At the October 1970, meeting of the Association of American Universities, the presidents of those institutions were asked to rate their schools, using the criteria from this study. Of the 35 presidents in attendance, 21[3] rated their institutions, including 4 of the 11 AAU institutions already in the study. As of the fall term, 1970, four (19 percent) of the presidents said their institutions were not in financial trouble. Twelve (57 percent) said their schools were headed for financial trouble; and five (24 percent) said their schools were in financial difficulty.

The presidents were asked to rate their schools for the fall of 1971, given present income and expense projections. Three (14 percent) said their schools would not be in financial trouble. Nine (43 percent) said their schools would be headed for financial trouble, and nine (43 percent) said their schools would be in financial difficulty.

Eight of the presidents felt able to predict their school's current fund income for the next academic year, 1971–72. The average for the eight is a predicted growth in current fund income of 3 percent per student, which is below our "rock bottom" figure of 3.4 percent at recent price levels.

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[2] It may be that the "good fit" we noted in Chapter 4 between community colleges and their communities is harder to judge or more fragile than we suspect.

[3] The 21 schools are: Case Western Reserve University, Clark University, Cornell University, Duke University, Harvard University, Iowa State University, University of Iowa, Johns Hopkins University, University of Kansas, Massachusetts Institute of Technology, McGill University, Michigan State University, Ohio State University, University of Oregon, Purdue University, University of Rochester, Stanford University, Syracuse University, University of Virginia, University of Washington, and Yale University.

4. What broader issues must colleges and universities face as a result of their financial problems?

College presidents invariably respond with a statement about the need to restore public confidence in higher education. Virtually every interview in this study made the point that the public is no longer highly motivated to support increased investment in higher education. But what will it take to restore confidence and make higher education a more attractive investment to parents, tax-payers, foundations, donors, and legislators?

We would emphasize three aspects of the task of restoring confidence. First, the colleges and universities must have campuses that reveal themselves as being reasonably governable. The interviews in this study suggest this does not mean a placid campus, but it does mean a stable one, with discernable evidence of administrative direction.

A second requirement for confidence is that the colleges and universities demonstrate that they are reasonably efficient in their internal operations. Again, many campus interviews referred to legislative study groups, proposed studies by the campus, and other means of developing criteria to measure the effectiveness of educational expenditures. There is some concern on campuses that such criteria of performance will turn out to be crude, mechanistic, or anti-intellectual, ignoring quality as a central component in performance. One cannot discount that concern. At the same time, interest in efficiency and productivity can be well motivated.

For many years, budget requests by state institutions and financing requests by private institutions often commanded an authority simply by virtue of the fact that an academic institution needed funds. Somehow in spite of the "myth of the virtue of poverty," there was often a willingness to support requests because there was a general belief in the value of higher education. What seems to have happened in the last few years is that the burden of proof of the value of educational financing has shifted. The fact of a request is not enough. It must also be demonstrated that the money will be put to efficient use. In a society devoted to human betterment in a world of scarcity, requiring that resources are productively used need not contradict the premises and values of higher education. Colleges and universities ought to know what their functions cost, what their purposes are, and whether by some reasonable standard they are spending their money efficiently. Our interviews show that many campuses are working to develop that knowledge.

Thirdly, in our judgment, restored confidence will require convincing evidence that the activities of colleges and universities have a unifying set of purposes—purposes that the supporting public can understand and defer to. In the period since World War II, college and university finance has been related to important purposes that commanded public support. For instance, in 1946 the colleges and universities, especially through the GI Bill, made education and upward occupational mobility available to hundreds of thousands of young Americans. Ten years later, spurred on in part by competitive responses to the Soviet Union's space program, the nation bestowed important scientific purposes on the colleges and universities and was willing to finance work toward those purposes and, directly and indirectly, much else, too. Ten years later, in the late 1960s, the campuses, under challenge from students, have not convincingly demonstrated what their mission is. When many students and faculty find little sense of purpose on a campus engaged in a web of service, research, instructional, and specialized community roles, it is not surprising that the supporting public begins to doubt the schools' sense of priorities or mission. It is an unhappy irony that the expansion in higher education that inevitably followed a great expansion in public support and public involvement has helped to undermine higher education. It demonstrated the delicacy of the interaction between educational leadership and the public's support.

On campus today there is growing interest in purpose and in priorities. It is too early to tell where the quest for purpose will lead, but there are some interesting early signs. One is the effort to create a market situation in which federal student aid would enable students to choose between different types of institutions. There is an increasing, related interest in decentralizing the responsibility for financing within a campus, so that the different units on the campus must raise their own money; this creates a market condition among the schools and colleges on the one campus. Even in the secondary and elementary schools, there is growing interest in a voucher system, which would permit parents of children to choose among schools. It may be that purposes will thus evolve under the pressure of the market. On the other hand, there are some encouraging signs that purpose may develop from different pressures, from the concerted good judgment and forthright projection of academic programs and academic values by faculties and administrators. In any event, until there is more agreement about purpose there will be less interest in financing.

Finally, it must be recognized that these three interrelated courses of action will not alone restore financial stability. That will take major new public policies directed toward the cost-income squeeze and reflecting the varying missions and utilities of the different types of institutions we have studied.

Among persons who are aware of the financial problems of higher education, it is often assumed that an end to the war in Vietnam and improvement in the stock market would lead to quick recovery on the campuses. We doubt that even those highly welcome events would ensure some reasonable degree of financial stability. The gap between income and expenditure prospects can be closed only by a conscious, positive effort to restore school finance. Recovery will not be the by-product of other events and other policies. It requires the deliberate application of major policies by schools and the public, directed to the future of higher education.

Dr. CHEIT. Thank you, Madam Chairman.

Usually when students or parents or professors or administrators talk about higher education, they talk about the aspirations and the dreams of students and institutions, but today when we talk to presidents and chancellors and deans about financing their institutions, we find they are talking about nightmares.

I discovered this in doing a study for the Carnegie Commission that has been referred to and, while I don't claim to be an expert on nightmares of college and university presidents, there are three distinct nightmares, and it might be useful to start by looking at them.

There is the nightmare, first, of the liberal arts college president. His nightmare is that next fall his institution will open and no freshman class will show up because the students have been essentially priced out of that market, the point that Dr. Cartter just referred to.

The nightmare of the president of a large private university is probably the most complicated nightmare in higher education today. His nightmare is that next fall his institution opens up and there is a freshman class, but it consists entirely of sons and daughters of very wealthy parents and a smattering of students from very poor parents, the only ones who could find the money necessary to attend and to pay the tuition that private institutions must charge if they are to hold their position in the discovery of knowledge that they hold the role that they have had historically in this country.

The president of a State university or State college has still another nightmare. His institution opens next fall and several freshman classes are there. But he has less money to deal with them.

As you look at the facts of financing higher education, you find that the dreams have shifted to nightmares just in the last few years. I discovered this in doing the study for the Carnegie Commission, and I would like to comment a little bit about that study and about my findings, and then come back to how closely these nightmares correspond to reality and what I would suggest that is needed in terms of Federal policy.

The Carnegie Commission asked me to do a quick study that would make available for persons, both on campus and off, the facts of what is happening in higher education finances.

The commission itself was receiving many pleas from presidents asking that it "Come, take a look at our place and see whether or not our experience is representative of what is happening around the country."

So I agreed to look at all kinds of institutions in a study which was not designed to be an exhaustive piece of work, but rather a study which was designed to illustrate the kinds of problems that the major types of institutions in the country were having. We selected institutions illustrative of the major types, and if you have before you my prepared statement, pages 5 and 6 indicate the institutions that were selected for study.

The groups we have called national research universities, leading regional research universities, State and comprehensive colleges, primarily black colleges, liberal arts colleges, and 2-year colleges.

What the sample consisted of, I might add, was 41 institutions. There is no magic in the term "41." We wanted at least five schools in each group and hopefully more. We wanted the experience of both private and public institutions, and from all parts of the country. This list of institutions represents the experience of institutions in 22 States and the District of Columbia, and of all the major types of institutions.

The study consisted of two things: first, getting a financial history of the decade of the 1960's, of major income and expense categories for the institution; second, a visit to the campus. In the visit to the campus, a lengthy interview with the chancellor, president, and administrative colleagues was conducted, which often covered several hours, trying to determine the financial prospects, problems of the institution.

Madam Chairman, the first question in that visit asked of the president was: "How would you characterize the financial condition of your institution?" We got some pretty blunt and startling answers.

What we did with these data was to attempt to make a system of judging the financial condition of the institutions which would be clear and understandable to the general public, to people on the campus, even if it lacked some scientific elegance.

We decided also that we would not try to conceal things in averages or general numbers but would rather name names of institutions and speak bluntly about conditions.

I created the three classifications, which are the classifications of institutions "not in trouble," those "headed for trouble," and those "in financial difficulty."

Now, the bases for these three categories were that if on the basis of the financial history of the institution and if on the basis of our own examination of its income and expenses, the institution could continue at its current level of quality and continue to fulfill its projected goals, we said it was not in trouble. By the way, we made the decision, not the institution, as to where it would be classified

If an institution's financial condition didn't require that it compromise either its services or aspirations at the time of our visit, but with certainty those events would occur in a short run, they were called headed for trouble.

Those institutions that had already made cutbacks in services or programs which, fairly regarded, were cuts in essential program or quality, were regarded as "in financial difficulty."

What did we find? We found that about three-fourths, 71 percent, of the institutions that we visited were either in financial difficulty or headed for it. The Carnegie commission staff took my sample of 41 institutions and attempted to make a national estimate of what this would mean, by trying to weight the institutions by distributions in all categories, and found—and this is an estimate, and isn't very rigorous, but I think it is quite illustrative—that nationally about two-thirds or about 66 percent of all of the institutions would be in my "headed for trouble" or "in financial difficulty" category.

The reason is that I weighted somewhat more heavily the universities in my sample than they are weighted in the national distribution and underrepresented the community colleges, which relatively speaking, are not quite in as bad a situation as the universities.

So that if you assumed that that estimate was correct, perhaps two-thirds of the institutions (enrolling, I might add, about three-fourths of the Nation's students), would fall into those two categories.

Now if you turn, Madam Chairman, to page 8 of the statement that I submitted, you see the listing of the institutions as we categorized them on the basis of our study of those not in trouble and those in trouble.

The first inclination one has in the study is to attempt to find some single unifying hypothesis to explain why it is that some institutions are not in trouble and others are. I would disappoint or urge disappointment on anyone who looks for a single, easy hypothesis to make that explanation. We certainly could not find it in the study.

We found that if one looks at the schools not in trouble, certain conditions go with that status. But it is very hard to ascribe casual significance to them. It is much easier to find the reasons for poor health than it is to find the reasons for continued good health.

Of the conditions, however, that seemed to correspond with the "not in trouble" situation, the only public institutions in that category are in the South. No public institution in the North was in our "not in trouble" category.

Mr. QUIE. How about Saint Cloud State College?

Dr. CHEIT. No public university—you are right, Saint Cloud State is in that category. That is my home State, Minnesota, and as a matter of fact, I shouldn't slight Saint Cloud State.

No university was in the "not in trouble" category except those in the South—Texas and North Carolina.

I checked the rather fragile hypothesis that this might be generally the case at the last meeting of the American Association of Universities, and there is considerable evidence to show that large universities in the South have been somewhat more shielded from the turmoil the last few years and have not felt the same degree of public reaction.

Secondly, they haven't been as advanced in their research and related expenditures as have the comparable institutions in the North, and haven't felt the reduction in the rate of Federal support. I don't want to dwell on this point because it will give it undue importance if I do.

There are several other points that I would call to your attention, and one is that the institutions in the "not in trouble" category in the North tend not to be in urban areas. They tend, with one or two notable exceptions, to have a lower rate of financial support to students, that is, their student aid rose during the decade at a much lower rate. They are less affected by campus disturbances, by the statements of their own presidents.

I have mentioned the smaller student aid expenditures. There are two or three or four other things that I have listed in the study, and I will come back to that if it is of interest. I don't want to take more time on this, except to say that I added another category called luck and circumstances, because some conditions go with these institutions that are hard to explain in any other way.

Mrs. GREEN. Could I ask you, Dr. Cheit, on page 6 you state that 71 percent of the institutions you visited are in trouble or heading for it. You don't project any figures there, you wouldn't, for instance, suggest that in the primarily black colleges, three-fifths of all black colleges are in trouble?

Dr. CHEIT. No, this was not a statistically representative sample. It wasn't chosen with that view and I would make no such claims, no.

We tried in the study, Madam Chairman, to find out what it was that seemed to be operative here, why is it that financial difficulty has come to the schools in the last few years. What we found was that, put in its fundamental terms, several things happened in the last 3 years of the decade of the 1960's.

Some institutions were affected, the effects began to show in the academic year 1966–67; others, 1967–68; by 1968–69, the effects were very pronounced, and they continue. As Dr. Cartter has pointed out, these effects are growing.

Looked at fundamentally, what has happened is this. Expenditures for the institutions continue to rise at a fairly fixed or at an increasing rate; income also for most of them continues to rise, but at a decreasing rate. Therefore, there is a divergence between what is happening to cost curves and income curves. Essentially, that is the mechanism at work.

If one looks at the elements of this mechanism, one finds on the income side that the rate of support from the Federal Government, while it continues to rise, has been going up at a decreasing rate, and in the last few years indeed, if one measures it by the rate of Federal obligated expenditures, it has been going up at a rate slower than that of the Consumer Price Index and therefore, in real terms, has actually been declining.

I think that point was illustrated by the impact on one institution in the table of Dr. Cartter's statement. Income from gifts and grants show a similar pattern—and what I am summarizing here are the aggregated results for a rather mixed sample of institutions, but the findings are really quite consistent, the impact is different. The nightmare they produce is different, but the forces affect all of them, although in different degrees.

Private gifts and grants have been going up, but again at a decreasing rate, and not, for most of them, keeping pace with increasing expenditures.

There are many reasons for this, just as there are many reasons for the falling rate of support for Federal Government. Part of it is the bear market. Gifts are frequently gifts of appreciated securities and in the bear market there are no appreciated securities. Disturbances on campus have influenced private givers.

There are many other and worthy competing claims for private gifts, the concern about the cities, and major foundations have shifted their priorities somewhat, so there are a series of reasons.

Endowment income, we found, was rising, but again at a decreasing rate, partly a function of the economy in the equity market. Some institutions, taking expert advice, moved their portfolio from fixed obligations, thereby losing the advantage of high interest rate, into the equity market, thereby reaping the consequences of a falling market. But presumably that will recover in time.

On the expenditure side, we asked the presidents of the institutions to try to identify for us what the main elements in their cost situation were, and we tried to summarize these. I do that at the third or fourth paragraph, middle of page 10, and we find: the effects of inflation; rising salaries, which are, of course, a function of inflation; student aid, growth in student aid; cost of campus disturbances in past, present, and future; and then that final factor which I have called growth in responsibilities, activities, and aspirations. And I had to put in a large footnote, not to prove that I am an academic, but because that is a highly oversimplified summary of these very complicated factors, and that last factor includes both the development of many new activities and programs and also the kinds of responsibilities Dr. Cartter referred to on compensation and others, and it includes the growth in quality that many of our institutions are seeking and have achieved.

What I tried to do in the study, Madam Chairman, was to make an estimate of how much the cost elements could be controlled, to find the extent to which the institutions can cut their way out of this situation, and what are the income prospects.

Let me try just in a few moments to summarize what I found or at least what I think I found.

I found that for the institutions in my sample, expenditures during the 1960's went up at the rate of about 8 to 10 percent per student per year. That is a little higher than the institutions—all institutions in the country. The average there would be closer to 6 percent, I suspect.

But I tried, using my base of 8 to 10 percent, to determine how much each of these five expense factors accounts for. And my estimates—and I don't include those estimates in the prepared statement, but I include them in the appendix that I submitted, because it gets into quite a bit of detail—but my estimate was that inflation accounts for about 25 percent of that cost push.

I have since come to the conclusion that I underestimated the consequences of inflation. Let me illustrate briefly why. I used here the rate of inflation for the last 3 years in the 1960's, which was an average 4.2 percent in the Consumer Price Index. It is currently closer, as you know, to 6. No one has yet, to my knowledge, prepared rigorously a price index for academic institutions. My guess is that it is a price rise of almost twice what the market basket for the consumer has been.

Our librarian at Berkeley says that when the Consumer Price Index went up last year 6 percent, the wages of his employees 5 percent, the cost of operating the library at the same level of services went up 11 percent. I think that is a fairly representative figure for the differential in price increases, books, scientific research, and related materials. It is a subject for study that I think is terribly important as we get into public policy here.

In short, I estimated that inflation accounted for 25 percent.

Secondly, I estimated that the increase in faculty salaries of the late 1960's accounted for about 20 percent. And we are talking about the growth in costs represented by these figures. Student aid, I estimated to be about 15 to 17 percent; the cost of the disturbances and security, 10 percent. The remainder, which is about 33 percent, I attributed to this growth in responsibilities.

I therefore tried to say, if we assume that these are the reasons that colleges and universities are faced with this tremendous cost pressure, what can the institutions do to cut their way out? How much can they cut back?

One of my main conclusions is that although they can cut these expenditures—and I will be glad to go into details of how much I think they can cut, and they have been cutting, as Dr. Cartter has pointed out—that institutions cannot cut their way out; that the cost pressures and the change in the rate of income growth are such that there will be a gap of several percentage points per student between operating cost and operating income that the institutions will not be able to close by themselves.

I estimate, and this is a fragile estimate because it is based on very different kinds of experience, that if the institutions do the best job they can at cutting, there will still be a gap of several percentage points, perhaps 3 or 4 percentage points, between what they can cut back to and the income they can reasonably expect.

Therefore, if you look at the operating budget of an institution and assume that it has a several percentage point gap, it is very easy to see why the private institutions are running deficits, as most of them now are, and why the public institutions are running quality deficits.

The public institutions can't have budgeted deficits, but their deficits are no less real because they are hidden in a diluted program. Therefore, their presidents are having nightmares.

How close does the reality correspond to the three nightmares I indicated for the private 4-year liberal arts college? The nightmare of not having a freshman class, I think, is perhaps closer to reality than many of us know. Recent reports of decline in applications of 15 to 20 percent in private colleges, liberal arts colleges, around the country are not unusual, and I quote a recent newspaper report of one institution that used to at this time of the year have 350 applicants, having at this time only seven.

The president of one of the 4-year institutions on my list "not in trouble" told me confidentially, and I am unable, therefore, to share the name of this institution with you, that for the first time in the history of that college, they are going to have difficulty next year filling their freshman class.

So the nightmare of the presidents of the liberal arts colleges is closer to reality than we may realize.

As for the nightmare of the large private university due to its cost/income problems, referred to most ably and, I think, representatively by Dr. Cartter's statement, are also very close to reality. For these institutions to charge the tuition which they must if they are to retain the role that they have played means that it will be impossible for sons and daughters of middle-income parents to attend them.

The president of a large private institution, and not, I might add, one of the highest in prestige in the country, recently told me that the median parental income of students applying for financial aid at his institution is now well over $16,000 a year. That is why he is having nightmares.

How about the nightmare of the State university president? If you look at his nightmare, it is that he sees a rising sea of students surrounding a shrinking island of money. At my own institution, since 1966–67, and including the projected enrollment for next year, the University of California has added a 34-percent increase in enrollment, with a 6 percent increase in budget (when adjusted for inflation).

That means that if the proposed budget is approved, at the end of next year, we will have 20 percent less money to spend on each student than we had 5 years ago, in real terms. I checked with the university historian to discover that not even in the great depression did the University of California, Madam Chairman, have to lay off a faculty member. We will have to eliminate well in excess of a hundred positions next year out of one door while bringing more than 4,000 students in by the other door. (Maybe I should say, doors.)

All of this sounds rather pessimistic, and I want to close on a somewhat more optimistic note, that is, that I believe, Madam Chairman, that unlike many of the problems that we struggle with today, this is a problem that can be solved, or at least it can be solved in large part.

I say this for several reasons. First, the total amount of money involved is not frightening. If you assume that my estimate is roughly correct, that there is a several percentage point gap on the operating income and expense side, I estimate that this means that we are talking about a gap in operating income of somewhere at the extreme low point of maybe $300 to $400 million to the high point of maybe $700 million. Now I say somewhere in that area.

And how do I get that figure? I get it by saying if you multiply 3 or 4 percentage points times the amount of money being spent nationally on current funding operations, somewhere around $18 billion, $17.5 billion to $18 billion times 3 or 4 percentage points, or 2 or 3, you are talking at the low level of 300 million and at the high level of 700 million.

This figure is somewhat lower than some people believe the gap to be, and I could be erring on the low side, but I have chosen to be somewhat conservative on my estimate, on the ground that the institutions do have an obligation to do the kind of cutting and trimming that NYU has been doing, and I think others have been doing. I think this comes close, but others may give you a more informed estimate of that gap.

That sum should not frighten us. That sum is, at the lower end, in the neighborhood of what one or two large corporations are seeking or getting in Federal aid, and we are talking here not about one or two institutions but about all of the institutions of higher education in the country.

Another reason for encouragement is that the newer educational models, the gradual transition to more emphasis at the undergraduate level—and I emphasize gradual—the 3-year degree program, the off-campus degree program, will in time bring relief from the rate of increase in costs, but not overnight.

Secondly, I think demography is on our side. In another 8 or 9 years, the enrollment crush which will be significant during the 1960's, the number of students we will add—excuse me, in the 1970's, will be the same approximately as the number added in the 1960's; but by the end of the seventies, demography should help us. The enrollment crush will be relieved.

These factors I think are positive long-term factors.

What about in the short run? How can the new depression, which is the title that I gave to the study that I made, how can we make the new depression a short depression?

I would emphasize four things. I am sure there are many more, but I have come to the conclusion, Madam Chairman, there are four points. I would like to stress them with you in concluding these comments.

First, I think there must be awareness in the colleges and universities that to motivate additional investment in higher education the campuses must reveal themselves as being reasonably governable, reasonably efficient, and engaged in activities whose purpose the supporting public can understand and respect.

I am reluctant to tempt fate by saying these conditions are being met on campuses, but I would say, without trying to tempt fate, that there is a growing amount of evidence that these conditions are being met on campus, that campus attitudes are changing.

The second point that I would like to emphasize to the committee is that there must be an understanding that there is a money crisis in higher education, that the crisis is real and it is growing. There is no question in my mind that if I were doing this study today, I would find the situation very considerably deteriorated.

I base this on not only the kinds of analyses that Dr. Cartter has made, but my own contact with several institutions in the study around the country, and I will be glad to elaborate on that in the questioning. There is a crisis and it is growing, and there must be an understanding of this.

I believe here, too, Madam Chairman, there is a growing understanding. When I visited the campuses 8 months ago, the presidents were very pessimistic about the level of public understanding about their problems, their financial problems. I am confident that if I made that study today, I would not find it to be the case; I believe the presidents would say that the public understanding has grown very considerably about the nature of their problem.

The third condition that I would like to emphasize is that there must be a realization that although colleges and universities can make and have made and are making cuts, that they cannot cut their way out. I think Dr. Cartter's testimony has made that quite clear.

NYU has done really a magnificent job in trying to trim expenditures and their experience illustrates that this can't be done. I would say there is some public understanding here, but the understanding is somewhat fragile.

I would say, Madam Chairman, that one encounters an interesting role reversal here. For the last few years, university presidents have been going before public audiences and in their statements, someone in the audience would inevitably say, "It looks to me like you are having terrible problems on your campus with these disturbances," and the presidents would say, "We are having a few problems, but fundamentally we are in good shape."

Today, the presidents are speaking to the audiences and saying, "We are having financial problems." The response comes from the audience, "You are having a few problems, but fundamentally you are in good shape."

The fourth point is the need to acknowledge that the schools do need help and that there must be a commitment for additional investment in higher education.

I emphasize this for two reasons. There are many people who believe that when the war in Vietnam is phased out and the stock market recovers, that somehow the financial problems of higher education will in the process be solved. They will not be. There is a need for conscious policy, and I will not elaborate on that point here but will be glad to in the discussion period.

Another reason to emphasize the need for more investment in higher education is, I think, there is a very strong temptation to take the growing number of studies about the need for reform in higher education as an excuse for not facing the hard money problems.

There are many people who say, "There is so much need for reform, and let's wait until the schools reform themselves." It is like the husband who tells his wife that they haven't yet perfected the dishwasher or fur coat, and therefore there is no need to spend money on them.

The fact is that higher education has not yet been perfected. If we wait until it is perfected before coming to its rescue, we will discover that it will take a lot more than the sums I have been talking about to restore institutions that have been built up over decades or longer.

Let's not use the need for reform as a dodge to avoid facing money problems.

In concluding, I have emphasized the financial problems of higher education and have not tried to go into the varieties of support that are needed for their solutions. I would like to emphasize in closing, however, that there is a need for programs at the Federal level—programs that help students and programs that help institutions.

Here, too, there is growing understanding. Just within the last 2 weeks, two different study groups from the executive branch have visited our campus gathering data about a possible institutional support program. I think this represents somewhat of a change of view and a very welcome one, certainly, on campus.

I am aware that there are very difficult equity problems and policy problems, and I would not urge you to rush to any hasty conclusion as to the kind of institutional support bill that is needed, but I would urge you to follow that direction and perhaps more than you know or can even guess, the hopes of people on campus ride with the work of your committee, and you have my best wishes for your success.

Thank you very much.

Mrs. Green. Thank you very much, Dr. Cheit and Dr. Cartter.

Dr. Cheit, on page 14 you estimate that the need for increased operating income during this crisis situation would be between $300 million and $700 million, and you include the four sources.

What share do you think should be the Federal share and what do you think is a reasonable Federal program for institutional grants, if we go in that direction?

Dr. CHEIT. Well, I will say that much of this will have to be a Federal share, I believe. I can't give you a precise figure and I am not trying to dodge the question. It is just that I don't have a figure that I would like to cite as a firm one, and let me indicate why.

I think it is very important that the Federal program, if there is to be one, not be used by the States as an excuse for decreasing their rate of support for State institutions. When Federal support grew rapidly in the early period in the 1960's, the relative amount of support for the State institutions from the State declined rather dramatically, and I think the States now are in a position of being required or at least faced with the problem of picking up their fair share.

I think they must continue to make that commitment at the State level, and therefore the Federal program should not be one that permits the States to cut back their proportionate rate of support. I would like to see them maintain it and extend it. But I believe, given the enrollment growth that the State institutions will face, that the major portion of this will be a Federal portion.

So if you will permit me to answer your question by saying that the larger share by far, I believe, will have to be the Federal share, that is as precise as I believe I can be now.

Mrs. GREEN. If there were to be institutional grants and the maintenance of effort were required, how would you write the language so that the private colleges that do not come under the State support would not be affected?

Dr. CHEIT. That is part of the maintenance problem for those particularly in those States that don't have tuition equalization program or a State scholarship program. I can't tell you at this time how I would write the language. I have not studied that problem.

I am aware of it, and I would be glad, given some time, to address myself to it, but I would not propose to tell you what that language ought to be, Madam Chairman.

Mrs. GREEN. Would you give us some more thought on that?

Dr. CHEIT. Yes.

Mrs. GREEN. On page 8, you listed the colleges "in trouble," "not in trouble," and "headed for trouble."

In thinking about various kinds of institutional aid, I have wanted to work out some "needs" factor for the institution. Do you think that is possible?

We do this in terms of student financial aid. We say, "If your family has this income and you have these responsibilities and these obligations, et cetera, you are entitled to it."

How could you work out a "needs" factor for institutions?

Dr. CHEIT. Without more thought, I cannot see a way in which this could be done for the Nation as a whole without some difficulty, although Dr. Cartter may have a more informed view.

Let me illustrate why, if I may. When I did this study, Madam Chairman, I took the aspirations of the institutions as given. I did not attempt to say that Saint Cloud State or Hamilton College or Boston College or any other had aspirations that were too high or had aspirations that were too low, but I assumed that given the kind of support these institutions must seek in their constituents, that there is a rough objective correspondence between what it is that they want to be and what it is that they ought to be.

That is open to challenge, but frankly, I concluded that it was a better way of doing this than any other way that I could determine. Therefore, an institutional aid program, Madam Chairman, that relied on need would have to rely on the state aspirations of the institution or a judgment that your committee makes or the Congress makes about what the aspirations of the institution ought to be.

I am frankly quite reluctant to suggest that judgments about these aspirations be made for the entire Nation by the Congress. I think there is an important role for the Federal Government to take the initiative in creating certain kinds of aspirations, but I think the integrity of the institutions requires that they, too, have a very large role in determining their aspirations. And therefore, I cannot give you a way to relate need to aspiration for the country as a whole in a way that would make me feel comfortable.

Mrs. GREEN. I gather from your testimony, Dr. Cheit, that if the Federal Government were to have a program for institutional grants that amounted to $500 million for a year, that you would feel the Federal Government was fulfilling its obligation and meeting its responsibilities.

Dr. CHEIT. I would feel that it is meeting an emergency situation this year. That estimate, Madam Chairman, is based on the current enrollment. That is an estimate based on an estimate that there is maybe a 3 or 4 percentage points per student gap between current income and expenditures.

I would regard that as an emergency measure for this year only. I would not regard it as a measure that dealt with the problem in a longer run away, however, because the problem will grow, and I feel that the $500 million will do it this year but it will not do it 2 years from now.

Mrs. GREEN. Do you agree with that, Dr. Cartter?

Dr. CARTTER. I start off with my own institution. For the current year, our deficit is going to be 8 percent of our total educational budget. Two or three percent obviously would be of some help to us, but it doesn't come close to solving our problem.

Similarly, if one were to look at the budget of the University of Michigan or the University of California, while 2 or 3 percent would be welcome, I would think the presidents would be thinking more in terms of 10 or 12 percent.

In the aggregate dollar figures Dr. Cheit uses, I think I would tend to agree that probably looked at for fall of 1970, they may be adequate figures. I doubt that they are close to adequate for 1971.

Dr. CHEIT. May I add a footnote to that? There are two things that are not included—or more than two, but two that I would like to comment on in that estimate. One is, you will notice, I have a footnote indicating that this doesn't consider capital needs at all, which are quite specialized, and separate, and substantial. Second, it does not address itself to the role that the Federal Government ought to be playing in the specialized needs of higher education.

Therefore, when Dr. Cartter speaks of his own institution, or mine, or others like them, public and private, these institutions, the research universities, perform very specialized services. They have needs which are not fully in that estimate. Therefore, Madam Chairman, when you asked me about 500 million, I am not including what I think is a substantial need for those research universities whose needs are quite special and relate, I think, to the national interest, and in very special ways, for capital outlay. Their needs would not be adequately met in that.

Mrs. Green. Thank you.

Congressman Quie?

Mr. Quie. Thank you, Madam Chairman.

Dr. Cheit and Dr. Cartter, I am glad you are here today. You have provided some interesting testimony. I have a number of questions that I want to ask.

First, Dr. Cheit, you talk about median income of families who ask for financial assistance for the private institution. Under the administration proposal using $10,000 as a breakoff point for a family of four with one in college, if you consider a family of five like I have, with two in college like I have, it is about $18,000; just a little over $18,000 is the comparable figure with $10,000 for the family of four with $10,000. So if these families are large, I guess it would be understandable that they would have financial difficulty.

The question that comes to my mind is, would it be just to expect that a family might, for a period of time that the children were in college, sell their boat, drop their membership in the country club, take a cheaper vacation than 4 weeks to Europe, miss one of their skiing trips to Aspen, and therefore help to finance the child's education?

Dr. Cheit. Yes, it would, if that is, to the extent that is a representative situation.

Mr. Quie. Well, families with median income of $16,000 and above, that is pretty representative.

Dr. Cheit. I would respectfully disagree that it is. I am sure there are such cases, and whenever one provides financial aid, one worries about being taken advantage of by those whose needs either aren't very great or whose sense of priorities differs from our own.

In answer, really, to the premise of your question, I think, yes, parents should be required to bear a portion of the cost of sending their sons and daughters on, yes.

Dr. Cartter. I think Dr. Cheit's point is that people with the median income are applying for financial aid. And for a university like my own, $16,000 would be above a median income for everybody in the whole 40,000 students. We probably support out of the university funds only about 15 or 20 percent of that group. Their median income is somewhere around $8,200.

Mr. Quie. We encouraged them to ask for assistance when we provided the subsidized guaranteed loan program for adjusted gross incomes of $15,000 and below.

To what extent do you think colleges would say they are in financial need when you asked for an estimate from college presidents—to what extent do you think that would be so with the colleges?

Dr. CHEIT. It is a question that we gave a lot of thought to, because we wanted to be able to make an independent judgment. I would say this, that when presidents responded to us, we had their 10-year financial history before us. We knew their income and expenditures for the last 10 years.

We covered in the interview specific proposals and courses and institutes and bureaus that they either could finance or could not finance, and therefore, the responses, I feel, were grounded in their actual experience and were not used as an attempt to influence the result.

I think that a president is always trying to raise money for his institution, but I think that if you look at the kinds of facts that we did, you can get a pretty reliable conclusion as to whether or not the institution is able to do what it is trying to do.

Mr. QUIE. Did you talk to any trustees or business managers or faculty members?

Dr. CHEIT. Yes, we did; very few trustees, but we talked to some faculty members and almost always the controller or vice president for finance and other faculty members who might share in the financial and academic direction of the institution, yes.

Mr. QUIE. In the case of public institutions, did you talk to any State legislators, especially the chairmen of State legislature committees?

Dr. CHEIT. No.

Mr. QUIE. They may have a different attitude.

Dr. CHEIT. Yes; it is possible that their views might differ, although, as I have indicated in the statement, the university presidents and businessmen often face a similar accusation. If a union gets a wage increase or taxes go up, businessmen are often told that profits are too high beforehand, and, if they can pay the wage increase and the business doesn't go under, that is evidence that profits were too high.

When a university proposes a budget and doesn't get it, they are told, "There is fat in your budget." If they get a smaller budget and survive, their survival is taken to indicate that there was "fat in the budget."

We have a lot of experience with that in California.

Mr. QUIE. Let me ask one other question.

You mentioned earlier that you shouldn't substitute a study for attempts to solve the financial needs of the institution or to correct the institution and find new ways. I guess you are suggesting that we shouldn't put all of our eggs in a foundation basket and not provide any assistance to the institution.

How about your recommendation that we do provide, as I gather, some institutional grants to the college? You ask us not to move very hastily because we are going to set a pattern.

Aren't you saying that we ought to study this before we provide the money even more than we have studied it so far? Some of the members of this committee are ready to move now on institutional grants and make it a part of this legislation. Hopefully, we will have legislation ready before June. In the sense that you talk of it here, is that acting hastily?

Dr. CHEIT. No, and I realize it could be reasonably construed that way, and therefore, I regret that I wrote it that way. Let me indicate what I mean.

I think that there is urgent need for a program this year, if only to meet what I believe is an emergency. When I suggested caution, I did so because an institutional aid program involves serious problems and you will be setting a pattern, or you could be setting a pattern, that will have a profound influence on the direction of higher education.

If you provide a 1-year or an emergency program that is to be considered and reviewed with respect to the criteria that I mentioned, that would not be hasty. It is needed.

I come without knowledge of the extent of your own study, which I am sure is considerable, but what I am concerned about is meeting the kinds of criteria over the long run that I mentioned in the next to the last paragraph. That is, I believe that an institutional aid program that becomes a permanent program, as I hope one will, will remain or meet the tests of what I call social justice—that relates both to student access and institutions of different kinds—that will maintain the autonomy of the institutions but will also retain a role for Federal initiative in higher education policy. And that gets back to the question of the research universities, where I believe there is a need for a new initiative and one of the integrity of the schools, their own planning, and so on.

Now I do not want to minimize the difficulty of a program that meets this criterion, but I don't want to use that difficulty, nor do I mean my statement to be interpreted as using that difficulty, as an excuse for not meeting an emergency need.

Therefore, I would say when I advise caution, by that I mean a permanent program ought to be worked out that meets these needs, but a program right now this year from this subcommittee for institutional aid would not be hasty, no.

Mr. QUIE. Thank you.

Mrs. GREEN. Congressman Brademas?

Mr. BRADEMAS. Thank you, Madam Chairman.

Gentlemen, I thank you both for your testimony, which I think has been clearly among the most useful contributions to our discussions that we have had so far. Let me put two or three questions to you.

You both, I take it, strongly endorse the idea of institutional grants as soon as possible, if that is a fair reading of what you have said.

I take it, Dr. Cheit, at least from your own testimony——

Mrs. GREEN. May I interrupt to say that nodding of their heads will not show on the record, and if they would respond?

Mr. BRADEMAS. Is the answer to my question "aye"?

Dr. CHEIT. Yes.

Dr. CARTTER. Yes.

Mr. BRADEMAS. You have pointed out that your urging of institutional grants did not include capital outlays nor did it include certain special programs for which there were defined national needs.

Do I take it then that a program of institutional support is one that you would offer in addition to these other programs?

Dr. CHEIT. Yes.

Mr. BRADEMAS. Is that your comment?

Dr. Cartter. Yes, I think the Higher Educational Facilities Act was a great benefit to most institutions of higher education, and there has been a period now of complete starvation for the last 3 years. I am not suggesting one ought to return to the 1960 period or even 1965 level, but certainly some new facilities are needed and it is a growing crisis on many campuses.

Mr. Brademas. Dr. Cheit, I was also glad to hear you say that you did not feel that any laudable search for reform in higher education ought to be used as a dodge to avoid coming up with the pressing need for money right now. I happen to share that view.

I would ask you this question, both of you, and I think I have got it from your statement, you are saying that colleges and universities ought to do a much better job than they have done of streamlining the management of their institutions so as to effect whatever economies can be effected, but than even if they were to do so, this would not resolve their financial crunch. Is that an accurate reading of your position?

Dr. Cheit. Yes.

Mr. Brademas. I guess that is clearly what you were saying, Dr. Cartter?

Dr. Cartter. Yes, I would very much agree with that.

Mr. Brademas. I have a couple of other questions, Madam Chairman.

One statement that came out in the January 1971 paper that was published by the National Association of State Universities and Land Grant Colleges, and the American Association of State Colleges and Universities, was that the President's proposal to in effect add a million low-income students to the rolls of higher education could cost an additional $1½ million to higher education, but that there was no institutional aid forthcoming to help meet that.

Can you comment? Does that sound like an accurate judgment?

Dr. Cartter. In effect what that means, I guess, is that it is going to cost on an average of $1,500 per student over and above what financial aid they brought with them to the institution.

It is obvious to all of us that as you more and more attempt to create equality of access to higher education and to give some of the students who show considerable promise, but who have had bad secondary student experience, a chance in college, that it does in the first years or so cost a lot more than for the ordinary bright freshman who comes in.

We have had a small experimental program of taking in a hundred students each year who would not ordinarily qualify for admission, out of 3,000 or 4,000 newly admitted students each year, and we spend 50 or 75 percent more per student on them during the first year, and the results have been encouraging. About 80 percent have been able to fit into the mainstream and go on as regular students.

The first budget request I recall that the city university made for an open end admissions proposal, while it cost $2,200 on an average for regular students, they requested $3,200 for incremental students, their budget did not finally include a figure, but they certainly recognized, it is more costly in terms of some of the remediation, additional guidance counseling work that one has to do with a student.

Mr. Brademas. That has puzzled me about the President's proposal. I applaud his desire to see more low-income students come to colleges and universities, but I have not understood how that can be carried out effectively without some kind of aid to the institutions.

Let me ask you now, gentlemen, for any suggestion you can give us on the right formula for institutional support.

Dr. CARTTER. There are a lot of ways you can go at this. I guess New York State is the first State in the Union to have a State program of this sort, sometimes referred to as the Bundy formula. That is based on degrees awarded. It works reasonably well, although each year now, as we have gotten into it, we felt that basing it purely on degrees has its own pitfalls.

Mr. BRADEMAS. Like what?

Dr. CARTTER. One of the major pitfalls is, for example, the amounts are: $400 for baccalaureate degree up to $2,400 for doctoral degree. Whenever that hits the legislature, six times as much for doctorate, they lose their sympathy for it, whereas you have seven students in the pipeline for every doctorate turned out, as against two or three for master's degree and five for bachelor's degree.

If you break it down on per student basis, it is a neatly graduated formula that approximates the relative difference in cost. I would hope, if there were going to be an institutional aid formula, that it would follow closely the kind of formulas many States in allocating funds for State universities follow, recognizing there are differences at lower division and upper division levels and the beginning graduate work at master's degree level and very expensive work at doctoral level. The University of California, and Dr. Cheit can comment on their formula, has a fairly common one.

Dr. CHEIT. It is, and the State formula which assumes that graduate instruction is approximately 3½ or slightly more than three times the cost of undergraduate instruction.

In answer to your original question, I cannot give you a specific formula, although, as I said earlier, I would be glad to try to give some more thought to this. I have not worked on this question very much.

My statement, and perhaps it wasn't as clear as it should have been, tried to indicate that there are certain urgent operating expense needs, and that is where my 300 million and 700 million came from. I think, since that is really a minimum figure, and looking at this problem from the viewpoint of an outsider, and I have tried to be conservative in the dollar figures, I think that that could be done equitably, either on an input basis, the number of students enrolled, or output basis, the degrees conferred. Each carries certain hazards with it, but I think for that kind of aid, either an input or an output formula could work.

But I want to emphasize that I think it is very important that there be a Federal initiative related, I believe Mrs. Green said, to needs, and I use the phrase "for national purpose," and I think we were talking about the same thing, and that is, that some elements of a Federal initiative with respect to what the research universities are doing, I think that aid cannot be tied directly to an enrollment formula, because I don't think that will reflect it adequately.

Mr. BRADEMAS. No, I understand that. I do think it would be helpful if we could find out, and I honestly don't know, Madam Chairman, what kinds of formulas are being used by States across the country.

what they have found to be effective, and if some States has had experience with institutional support formulas that have caused them great troubles and pain and anguish and pitfalls, as Dr. Cheit has said, I think it would be very helpful if we could learn that.

I have one other question, Dr. Cartter. You solemnly admonished us not to cut off aid for turning out more Ph. D.'s, but you didn't spell out very clearly your reasons for that position. What would you say to us on this committee if people say, "We have got Ph. D.'s coming out of our ears; why are you going to support more of them?"

What is your answer to that?

Dr. **Cartter**. All right. I wasn't necessarily saying or suggesting that you support more in the sense of an expanding number of Ph. D.'s granted annually. From the number of studies that I have done, I think the wisest national policy right at the moment is to try to approximately freeze the level or magnitude of the total graduate education, with a few exceptions. Obviously, there are exceptions in the health areas and several other fields.

So I would think if one were going to go to an institutional aid formula, it might be based on—if it were based on enrollment degrees—the experience of the last several years, and then you might freeze the number of eligible students per institution at that level, so you do not provide an incentive for some institution to considerably expand beyond that point.

There is a problem at the moment in terms of the market for Ph. D.'s in many fields. As I have tried to argue in several papers recently, this is not really a major crisis at the moment in terms of an oversupply in an absolute sense. It reflects right now the very tight budget constraints and the fact that many universities, like the University of California and NYU, both of which are reducing the size of their faculty, are not expanding at the moment, and this has had a bigger impact at this moment in terms of any possible oversupply.

I have tried to point to a problem that I think is going to be much more real 7 to 10 years from now, at a time when I think higher education is going to stabilize in terms of total numbers, and if we go on expanding graduate education over this decade, I think there will be a major problem at the end of it. I would urge you to consider the possibility of freezing the number of eligible people at doctoral level at approximately its current level.

Mr. **Brademas**. Thank you, gentlemen.

Mrs. **Green**. Congressman Erlenborn?

Mr. **Erlenborn**. Let me ask, is what you are recommending here in the way of institutional aid addressed to a crisis in the financial condition of the institutions of higher education; that is, a temporary program to help the institutions over a period of crisis, or a permanent Federal contribution to the cost of higher education? Or might I even say permanent and expanding Federal contribution?

Dr. **Cheit**. I think that it is probably both. I think that it is certainly meeting an emergency crisis situation, and I think that the Federal role in this area should become a permanent one, although that role could conceivably diminish if the price level rose only at its historic rate of 2 percent rather than its current rate of 6, and the number of students in the 1970's fell off dramatically. I think it could change at that point.

Mr. **Erlenborn.** I am glad you mentioned some of those elements, because I was looking at Dr. Cartter's statement as to the elements that have gone into creating the crisis. One has to do with draft policy. I presume, when we have reached some stability, as when we reach a zero draft, as we hope we will, or when decreases in R. & D. expenditures have leveled off, that you will have been able to plan for them. It is the rapid change that hurts, not necessarily the level of expenditure. It could be high or low, or some place in between. The rapid change is what hurts, and some of these things are controlled by Federal Government policy to a great extent.

Dr. **Cartter.** Most inflation factors are, at least we hope, temporary.

Mr. **Erlenborn.** Exactly; Medicaid and Medicare had a Federal impact in the health care area. I feel certain the policy that was chosen in Medicaid and Medicare contributed greatly to the rapid increase in medical costs, as you suggest in tying the increase in medical personnel costs to the passage of Medicaid and Medicare.

Well, we can go on, with the nondiscriminatory admissions. Government policy there, as reflected in the President's suggested greater emphasis on Federal financial aid to the lower income students, can have an impact beneficial not only to the student, but to the university and its support of the low-income student. Construction costs, certainly suggested wage and price controls or suspension of Davis-Bacon and other things, and inflation generally, in all of these things, the Federal Government has had an impact in causing the current conditions and can have an impact in remedying them.

The reason I ask the question is, aren't these the underlying causes of your problems as you have outlined them, and should we treat the causes or should we treat the symptom, which is your financial difficulty? That is why I asked, is this a temporary palliative? Are we to treat the symptom or are we to treat the underlying causes and consider this an aspirin to the headache?

Dr. **Cartter.** I assume the executive branch and Congress are doing everything possible to treat the causes, but as long as the international situation remains as it is, that is difficult to resolve in the near future. I would qualify to some extent your interpretation there. It is true that most of the things I pointed to there are the situations that have changed very dramatically and worsened conditions in the last 2 or 3 years, particularly.

I think one might argue, as I would and have, that there is a greater sense of national responsibility in being concerned with graduate education, the education of doctors, dentists, and so forth. I think that is more of a Federal responsibility than is undergraduate education, looked at over the next decade. I would see the discussions now going on of the administration's proposal for revenue sharing that whatever aid might go to the lower levels of education in future years, by 1975, let's say, might very easily be handled by revenue sharing and funds going back to the States, where the State has traditionally taken the principal responsibility for undergraduate education.

But I think the States are incapable or many States are incapable of both supporting and making rational judgments about how many physicists we need or how many doctors, partly because when people graduate from a university with Ph. D. or M.D. degree, they enter a kind of national market. I think you can only make sensible judgment about what real manpower needs are when viewed from the national perspective rather than an individual state perspective.

Mr. **Erlenborn**. What bothers me about embarking on a new relationship like this, which is no doubt to become permanent and expanding, is whether it really meets the needs. And, of course, the formula that we will have will determine that.

The reason for my pessimism—let's put it that way—is what we have done in the past. ESEA, title I, Aid for the Disadvantaged, those who are economically and culturally disadvantaged, was to be targeted in to those schools where there is a high concentration of economically disadvantaged. Over 90 percent of the school districts in the United States qualify under that formula. My home, Du Page County, Ill., the third wealthiest county, gets ESEA title I funds. So I don't think that title I ESEA has solved the problem. It is a scatter-gun approach where a rifle shot is needed.

Medicare was addressed to the problem of the aged. The formula that was adopted has little bearing on whether one is indigent or not. It is anyone over 65. Let me cite one example that forcibly brought the defect of this formula home to me. My administrative assistant's father-in-law passed away, leaving an estate of $500,000. Medicare paid his entire hospital bill in his last illness, much to the benefit of those who inherited the estate. But I really don't see the great national purpose of Medicare paying his hospital bill.

I mention this because I fear we are now moving in another area where a need is identified and, if we are not careful, we are going to draw formulas that do the much same thing—to put title I in Du Page County, Ill., and pay medical costs for a half millionaire who is ill. How can we avoid that? How can we see that those limited resources—and obviously we are limited in resources here, like you are in schools—are properly utilized?

Dr. **Cartter**. I think by a balanced approach that tries to focus particularly on specifics, as many of the current programs and recommendations do on EOG, work study, and so forth, where you pick out a small segment of the population, but that doesn't do the whole job. And to some extent you are also trying to aid institutions in retaining the strength and vitality to do the job for everyone.

And, as Dr. Cheit indicated, these are not large sums of money on per-student basis. It is a relatively small proportion of total cost. If we were recommending the Federal Government take 50 percent of cost of higher education, it would be rather staggering.

Mr. **Erlenborn**. That is in the future.

Dr. **Cartter**. Well, there certainly are some very great social benefits that come from expanding educational opportunities for the entire society, and this may be the best way of approaching it.

Dr. **Cheit**. I would agree and repeat, if I may, what I tried to say earlier, and that is, that I would be very reluctant to have the program be a single-formula program. I think the formula program ought to meet this emergency need. I think that the need that you are meeting is partly a symptom and partly cause. We have learned on the campus that symptoms can hurt you just as badly as causes can.

Secondly, I would say that I tried at the end of my statement to list four criteria. These are based on some deliberations and statements that the Carnegie Commission has made and, while I am not necessarily advocating their policy or disagreeing with it either, I think it is important to refer to those criteria because they try to retain the essential elements, and one of those is the Federal initiative. I think that there should be a Federal initiative here, and I several times refer to it as dealing now with the national interest served by the large research universities who are being hit in many ways most severely by the present adjustments that are being made. There will be others, and they will shift from time to time; but I think there should be a combination of programs.

Mr. ERLENBORN. Thank you, Madam Chairman.

Mrs. GREEN. I have a couple of questions.

Dr. Cartter, you estimate the average cost as $2,280, and then you said that it cost 50 to 75 percent more per student for compensatory education or for the one who is not prepared?

Dr. CARTTER. Yes. That was the figure in their budget request last year. I think it does cost more, yes.

Mrs. GREEN. One of the formulas that was suggested was a cost of education allowance for everyone who received an EOG or work-study grant. Can you persuade this committee, either one of you, that as a matter of national policy we should ask the taxpayers to supply compensatory education through the colleges, with a $3,300 or $3,500 cost, when that can be done much more inexpensively in other ways and at the grade and high school levels?

Dr. CARTTER. If you pose the question in that extreme way, I certainly would be in agreement.

Mrs. GREEN. Would you pose it in some other way?

Dr. CARTTER. Let me try to pose it in terms of my institution experience where what we are doing is taking students into the university and a relatively small number that is identifiable, in an "Opportunity Program" with about 100 admissions each year. In that particular program we have taken students who would ordinarily not have been admissible to New York University. They are high school graduates. They probably would be admissable to some other university. They certainly would be at community college level. If they need help in reading or mathematical skills, they are at 11th grade level instead of at 12th grade plus. That does take extra time and extra money, and with many of them it is very hard to adjust to moving out of a ghetto neighborhood and suddenly find themselves thrust into an unfamiliar new environment. For many black and Puerto Rican students, this is the first time they have lived in a mixed community that is predominantly white.

We have found this frequently requires a little more care, with considerable counseling and advisement. You can't turn them loose on a big university and let them sink or swim for the first few months, the same way that you do with a bright freshman. In our case, it has worked extremely well. I would not be the right one to comment on the City University experiment which, in a sense, took in 9,000 or 10,000 people who would not have been admissible, and did it largely in new facilities off campus, which I think was a rather unhappy compromise, but one they felt under the circumstances that they had to make. So they are not fully integrated with the rest of the students.

Mrs. GREEN. We have talked about programs and policies being in the national interest. You have not persuaded me that this is in the national interest.

Dr. CARTTER. No, I have not been trying to argue that particular point. I would not necessarily argue against the idea that there are supplemental costs involved which someone has to bear.

Mrs. GREEN. But if the individual institution wants to follow that path, then is it not their responsibility to finance it and not the responsibility of all of the other taxpayers across the country?

Dr. CARTTER. This was largely the position my institution has taken up to this time. It has been costly and we fear as our deficit rises, we are going to cut that back significantly. I am not sure that it is in the national interest, but I think it is one area we find it hard to justify spending a great deal more than we do on regular students.

In some areas, particularly with public institutions, the institution makes a designation of policy and then the burden has to fall somewhere, whether it should fall entirely on the State or city agency that makes the decision rather than the Federal Government, that is something that has to be worked out among many representatives of the public interest.

Mrs. GREEN. Something you said, Dr. Cheit, has bothered me. I believe you said that the cost of libraries had increased 11 percent, much higher than the other cost-of-living index.

Dr. CHEIT. Providing the same services in the library at Berkeley, yes.

Mrs. GREEN. It has been in recent years that the Government has embarked on this rather extensive program of providing funds for library facilities and for materials, books, et cetera. I have watched with jaundiced eyes the spiraling cost of baaks and such material since the Federal Government started paying for them. Whether the two facilities are related or not, I do not know but it seems to me a little bit more than coincidental.

Medicare, to which either one of you or both of you alluded, has brought spiraling costs in medical care. Every congressional study has shown this. It seems when the Federal Government starts paying for a program costs spiral out of proportion to the other cost-of-index figures.

Is there any caution to be used here? Do you think it is true that as soon as the Federal Government starts paying for programs that they get reckless in terms of the money being spent?

Dr. CARTTER. One piece of advice: Don't overuse an institutional aid program that says at the end of the year we will do cost accounting. That would cost more than the Federal Government might wish to spend. To a considerable extent, much of the health costs recovery, even though it works on year-to-year formula, whether it is based on the previous year's experience or not, but I think there is a feeling that most cost items are cost recoverable. Therefore it is not a major burden, if you choose this alternative way of doing it against that alternative way of doing it. I think that is not the most desirable way to have a financial burden placed upon you.

Dr. CHEIT. I think, Madam Chairman, there is that hazard. I think that enough is known about the costs and actual cost pressures of colleges and universities so that this could be monitored. I think it argues also for a program that doesn't create that incentive. That is why my suggestion of one that was modest I think had that, at least in part, in mind. Beyond that, there is a hazard to be sure.

Dr. **CARTTER.** I think implicit in both of our comments, too, is the view that a little bit of financial strain is not really a bad thing at times. One would hate to live forever clinging by their fingernails with growing deficits. On the other hand, during a period of rather severe financial pressures, institutions are forced to do a little more soul searching and reevaluation. That part, I think, is a good influence, assuming we come out the other side not completely scarred and crippled.

Mrs. **GREEN.** Perhaps they are joining all of the other facets of our society finally.

Thank you both very much.

Mr. **QUIE.** I want to ask a couple of more questions before they leave.

One thing struck me in your answer, Dr. Cartter, to John Brademas on the Academic Facilities Act. You said: "In short, the danger is real that expansion-minded State planning agencies might overbuild the State facilities of higher education by middle or late 1970." Do you think there is a danger that we ought to be aware of now, when we think of extending the Academic Facilities Act that they might do that? Because both of you have mentioned that in 1980 there would be a reduction.

Dr. **CARTTER.** I think there is less chance now than there was a year ago, when I wrote that. I think now suddenly for the first time practically every State in the union is coming under rather severe State budgetary pressures, and that is causing them to go back and reconsider their commitment for the future. I was worried looking in the late 1960's at some of the long-range planning documents of some State agencies. They were assuming by 1975 everyone was going to go to college, and they were building facilities more rapidly than they were going to have students, unless there was the assumption that the private institutions would be disappearing from the scene. I think that is much less true.

In my own State, New York State being a latecomer to public higher education and having outperformed anyone else in catching up with the California pattern the last year or so, there has been a very marked slowdown. I think suddenly they have realized they were going too fast. I feel that less this year than I did a year ago, when I did have some concern.

Mr. **QUIE.** What about the 16 private institutions in New York that you mentioned in your testimony that had 25 percent reduction in enrollment? Are there unused facilities there, or just underutilized?

Dr. **CARTTER.** Underutilized. I doubt if they are unutilized in the full sense. We get peculiar structures and patterns of higher education. Traditionally, City University in New York with 4-year campuses had been a very highly selective institution. You had to have an 88 or 89 average to get in. Those who did not meet highly selective requirements of City College or Queens College went to a private institution that lived under the umbrella of the public institution.

Now, when the public institution says, "We will take in everybody who got through the 12th grade," it has taken away some of the function of the institution that was designed for that purpose.

We used to see our role as being an open-door institution for New York City. In the last few years, partly because of the pressure for admission, we have become more selective. Therefore, we have not been hurt by that change. We are going to have a number of private institutions in New York City that may not survive the open admissions decision, though.

Mr. Quie. Let me ask you also in your article last fall about the revolt against the materialistic society wherein you mentioned that there was going to be a rebelling against the collegiate formal education process to the standard degree pattern. Do you think that the National Foundation for Higher Education could be a tool that we ought to seriously consider here as a means of bringing about a change in higher education to react to that?

Dr. Cartter. What little I know about the Foundation as it was projected, conceivably it is an idea that could work. I am not certain whether that would be the best way. Referring back to my own State, the State Board of Regents has taken leadership in trying to revise the external degree concept with some help of the Carnegie Foundation, and a number of us are involved in the new "university without walls" experiment. There are many things of this sort which conceivably could be funded and perhaps aided by the Foundation for Higher Education, which at the present moment are getting aid wherever else they can find it.

Mr. Quie. Do you think aid from outside of the Federal Government or outside of the Foundation is adequate and that we ought to pursue that route, or at least have less chance for Federal direction if it is outside?

Dr. Cartter. The "university without walls" is 50 percent funded by the Office of Education. I think it is one of the more imaginative attempts to try to find new patterns. Whether that can be done on a larger scale, I don't know that it requires the Foundation. It could conceivably be done through present agencies, although there is a tendency in present agencies to worry about day-to-day responsibilities. So that you never have a chance to give much thought to the innovative concept.

I am afraid I don't have a clear view one way or another.

Mr. Quie. I gather from what you said, you pointed out a long time ago we were going to have an oversupply of Ph. D.'s and we ought to look at graduate programs supplying that oversupply. Your last fall article talked about that also. Are we right in pursuing institutional grants as undergraduate programs, and leaving the graduate programs assisted under research grants?

Dr. Cartter. No, I think that is a great mistake.

Mr. Quie. Why do you say that?

Dr. Cartter. Again, if you go back for at least the last 10 years, the American Council of Education, with which I used to be connected as a staff officer, has been arguing really that the postbaccalaureate education particularly ought to be viewed more as a kind of national responsibility. It takes that kind of Federal perspective to know what the manpower needs are and to aid in their funding.

I still feel very strongly that aid to graduate education as such has always been critical. I was a member of the team that wrote that 1969

National Foundation Annual Report that made proposals along this line. I think our view has been to a great extent that the Federal agencies have just supported students or research and never looked upon graduate education as an area that really was increasingly becoming a national responsibility. I think that was mistake.

Mr. QUIE. We provided institutional grants along with the fellowships.

Dr. CARTTER. Cost of education supplemental funds, yes; that is true.

Mr. QUIE. And in a pretty sizable amount, too, for each one.

Dr. CARTTER. Yes, about $2,500. The average cost of a Ph. D. student in an average university today is around $8,000 a year. It is a very sizable chunk. That is the cost for training physicists, engineers, and what have you. I think it has been the view of most people involved with university education that this ought to be more of a shared responsibility and the Federal Government has a larger responsibility in that area. This has not been responded to affirmatively, but I think many educators do feel that strongly.

Mrs. GREEN. Don't you think, Dr. Cartter, a case could be made by other people that it is as much in the national interest, particularly in view of the unemployment problem today and the needs for people in various technical areas to provide education that would meet those needs rather than just turning to graduate education? I think one of the problems in higher education is that the people who make policy decisions are degree oriented. They tend to think only in terms of advanced degrees.

Dr. CARTTER. Certainly the Federal Government is in a much better position to assess national manpower needs at all levels, whether it is in vocational education, technical education, or Ph.D. education. From that point of view, yes. In terms of traditional funding for various levels, I think one tends to think more of the prime responsibility for funding education resting more with the local community at the lower levels and increasingly at State and Federal levels as you move up the educational ladder.

Mrs. GREEN. Thank you both very, very much. You have been most helpful.

(Whereupon, at 12:20 p.m., the hearing recessed to reconvene at 10 o'clock a.m., Tuesday, March 30, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

TUESDAY, MARCH, 30, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m., in room 2261 Rayburn Building, Hon. Edith Green (Chairman of the Special Subcommittee) presiding.

Present: Representatives Green, Brademas, Quie, Dellenback, and Erlenborn.

Committee staff members present: Harry J. Hogan, counsel; and Robert C. Andringa, minority legislative associate.

Mrs. **Green**. The subcommittee will come to order for the further consideration of the higher education legislation that is before us this morning. We are looking forward to the testimony of representatives of the American Association of Junior Colleges, American Association of State Colleges and Universities, American Council on Education, Association of American Colleges, Association of American Universities, National Association of State Universities and Land Grant Colleges, and National Council of Independent Colleges and Universities.

Such a list is very impressive. We are really delighted to have you as a group and as individuals here, and I think without taking any more time I will turn it over to you, Dr. Cosand. I know most of the colleagues at the table with you but if you would introduce them to us.

Dr. **Cosand**. Thank you very much, Madam Chairman. I am delighted to be here, too.

As far as the people representing us today, we have Paul Rossey, president of West Chester State College, West Chester, Pa.; Edgar F. Shannon, Jr., president of the University of Virginia; Donald C. Kleckner, president of Elmhurst College in Illinois; Herman R. Branson, president of Lincoln University; William S. Hayes, president of Alice Lloyd College; and James M. Hester, president of New York University.

Madam Chairman and members of the subcommittee: It is a great privilege for us to be here this morning and to have an opportunity to discuss with you our views on desirable higher education legislation. I am Joseph Cosand, president of the Junior College District of St. Louis, St. Louis County, Mo., and I have been asked to chair this panel in my capacity as chairman of the board of directors of the American Council on Education. As you will see from the cover sheet of our testimony, many higher education associations have joined together, as you named them awhile ago, in this jointly supported statement. I believe it is safe to say that every accredited college and university in the country is represented by one or more of these groups and by one or more of the people at this table.

If it meets with your approval I should like to submit our entire statement for the record and limit my remarks to a short summary of our positions—and I believe you do have our statements.

Mrs. GREEN. Without any objection the full statement will be made a matter of record and I hope you will not be too short in your summary. It will be helpful.

(The statement referred to follows:)

STATEMENT OF JOSEPH P. COSAND, PRESIDENT, JUNIOR COLLEGE DISTRICT OF ST. LOUIS, ST. LOUIS, MO.

Prepared Statement of Higher Education Associations

INTRODUCTION

Because during the past year your own subcommittee, Madam Chairman, and its counterpart on the Senate side have heard so much testimony on so many different bills, it occurs to us that it might be useful to indicate what we in higher education believe to be sound approaches to whatever legislation is eventually passed.

Aside from a variety of categorical programs, which have proved useful and which we will urge be continued, we believe that Federal legislation for higher education should encompass three basic elements—support for students in relation to their need; support for construction, both to accommodate expanding numbers and to renovate and modernize existing obsolescent facilities; and support for institutions in the form of operating grants. Increasingly we see these three elements as interdependent. Emphasis on any one of them at the expense of the other two will mean either that higher education will fail to meet its social responsibilities or that it will experience financial disaster.

OPERATING GRANTS

In a time of fiscal constraints, it is imperative that first things come first. In the case of higher education, the first priority is, without question, grants to institutions for operating costs which will enable the higher education system to maintain viability and perform its basic mission.

There are three basic components in the maintenance of a system of higher education. One is students—many of whom will need assistance to meet the costs of education. We agree with President Nixon that no qualified student should be barred simply for lack of money. But there is more to educational opportunity than that. The second component is capital investment to provide the plant—dormitories, classrooms, laboratories, etc. The third is operating money to meet the ongoing costs of institutions. These costs are accelerating rapidly. Light, heat, fuel, salaries, and supplies—all are increasing in cost. It is they which constitute the real financial crisis in higher education today.

As the higher education community and the Federal Government join in a partnership to educate our young people, it is necessary that the character of the financial problem involved in this endeavor be clearly understood. It would be cruel indeed if the hopes of young people were raised by promises which cannot be kept because institutional resources cannot meet them. If fiscal constraints seem to preclude the provision of adequate support, we should tax ourselves to provide the funds. In any event, there must be a proper mix of funds for student assistance, capital investment and operating costs in order to educate as many additional students as possible. Providing money only for students will magnify the other two needs, not make them go away.

No institution charges all its students the full cost of their instruction. An additional student, therefore, is no financial boon to a college; instead he represents an additional cost, which, somehow, must be met. To the college, success in meeting the goal of wider enrollment results in fiscal hardship. Even if not a single student is added to future enrollments, colleges now are strapped for operating funds today because of the very substantial enrollment increases in recent years. A million and a half students have been added to enrollments since 1965. Institutions are stretched to the breaking point from this influx of students and from rising prices which escalating tuition charges have not been able to match.

If the Federal Government did not help a single additional student to go to college, the higher education system still would face financial strains of crisis proportions. If the Government adds to those strains by providing aid only for students, the predictable result will be disapointment for hundreds of thousands of young people.

What is needed now from the Federal Government is support to institutions to be used to meet their day-to-day operating costs. It should be understood that while cost-of-education grants to provide compensatory education for disadvantaged students are necessary, they do not constitute aid to the institution. They merely pick up the specific extra costs required for educating this kind of student.

What are the alternatives to general aid to the institution? One suggestion has been made that tuition be increased to cover the full costs of education, with long-term loans to students to enable them to pay the entire charges. We oppose this proposal. It makes the institution a marketplace where the student, as a consumer, has the exclusive right and the power to decide what is "relevant." It rests on the mistaken belief that only students benefit economically from higher education, a belief which ignores the substantial benefits to society. And, finally it undoubtedly will reduce the number of students—just the opposite of the President's goal.

Another suggestion proposed that categorical aid (project grants) aimed at a public purpose be the sole means by which the Government helps institutions meet the burdens imposed by rising enrollments. Project grants have been, and will continue to be, essential to higher education, but they alone cannot fulfill the institutions needs, since they can be used only for specific enumerated purposes and do not cover the ordinary costs of running any institution.

Some principles for operating grants

At this juncture it should be useful to elaborate on what we are talking about—and what we are not talking about.

1. We are proposing direct Federal aid to all institutions, private as well as public. Operating grants should be made on the basis of objective, easily measured factors. Since the amount of the grant would not be discretionary, but determined by the application of objective criteria, there is no point in having the grants distributed by the states. This would merely add another administrative layer to the distribution process.

2. We are not recommending the substitution of aid to institutions for aid to students. We feel that aid to institutions and aid to students must be provided simultaneously.

3. We are not suggesting aid for operating expenses as a replacement for aid for construction of buildings. Buildings are as necessary to accommodate students as the money to make up the difference between what the student pays in tuition and the cost to the institution of instructing him.

4. Operating grants should not be restricted to any category of educational costs, such as faculty salaries, innovative programs, interest on indebtedness and so on. Operating grants should be unfettered funds, which each particular institution could use where and as needed to educate its students and operate its facility.

5. All regionally accredited institutions of higher education should be eligible for operating grants. Each type of institution serves a purpose, or a mix of purposes, important to society—from short-term vocational training to the education of Ph. D.'s in science.

6. Operating grants will encourage innovation. A central barrier to innovation in higher education is that it costs money. Unless an institution has a reasonably firm financial base, it cannot afford to devote the leadership, talent and money to experimenting with new methods and devices. The idea that colleges and universities must be restructured and reformed before general support is provided is a prescription for disaster. Change and adaptation are needed, and support for operating costs is essential if large scale innovation is to come about.

7. Institutions should be accountable for the funds they receive in operating grants. Institutions of higher education already are accountable in varying de-

grees to their students, the students' parents, alumni, donors, foundations, trustees, the Federal Government, and, in the case of state institutions, to their legislatures. The addition of Federal grants for operating cost would merely add another link to this accountability chain. The academic community stands ready to work with others or on its own in developing guidelines for holding institutions accountable for the operating grants they receive.

The size of the program

A program for support of operating costs should provide a significant contribution to the general educational expenses of all eligible institutions. The minimum annual payment should be large enough to permit a meaningful contribution to the institution's educational capability.

A grant in the range of 4.5 to 5 percent of the institution's general educational expenses is a reasonable minimum level. A grant at this level has been found to provide significant, though not sufficient, assistance under the New York state program of institutional assistance.

The general educational expenses of institutions which would be eligible for grants approximate $10 to $12 billion annually. Accordingly, a grant in the 4.5 to 5 percent range would require from $450 to $600 million. In view of the desperate financial condition in which most institutions find themselves, we would hope that the authorized figure might approximate $1 billion.

How such a total sum would be distributed among institutions depends upon the formula used. The urgency of obtaining additional funds for operating expenses is so great that the details are secondary. Many good formulas already have been worked out. A satisfactory formula should be simple and equitable. It should recognize that lower division undergraduate education is less costly than upper division, and both less expensive than graduate work toward the master's or Ph.D. degree. The portions should be weighted accordingly.

A word should be said about graduate work and especially that which produces Ph.D.'s. Much is said currently about the surplus of Ph.D.'s, and indeed there is a temporary surplus in some fields. But the research capability which is tied inextricably to the production of Ph.D.'s is a national asset of inestimable value, costly to develop and almost prohibitively slow and expensive to replace if it is allowed to deteriorate. This capability was expanded by universities at the behest of the Federal government, which has now reduced its support about 12 percent in real terms below the peak level reached in 1968. Thus it is that apparently rich universities are sorely beset to maintain a national resource which should be the concern of us all. The temptation to over-react to short-term over-supply should be resisted.

We are grateful to the ranking minority member of the full committee, Representative Quie, for introducing in the last Congress and again in this 92nd Congress, a bill providing institutional support. (Its counterpart last year was introduced by Senator Dominick and his colleagues as S. 3817.) The formula in Mr. Quie's bill would award aid on the basis of baccalaureate degrees awarded by each institution, weighted in such a way that smaller institutions would get a proportionately larger share. Community colleges are provided for by a 20 percent set-aside. Mr. Quie's formula is a good one. At the same time, formulas may be constructed many ways; and Mr. Quie has generously invited us, in an exchange with President Harrington last year, to suggest others.

We believe that a formula which recognizes the differences in costs of various levels of education and the variety of functions performed by institutions of higher education, would more satisfactorily distribute Federal assistance. Such a formula would employ an ascending scale of weightings which would begin with lower-division undergraduates and increase for upper-division undergraduates, master's degree students and doctoral candidates. Allotments would be based on full-time equivalency as measured by credit-hours earned. A double payment for, say, the first two hundred students in each of the undergraduate levels would accomplish the objective of increasing assistance to smaller institutions. This is the kind of formula we prefer because it is framed more flexibly to the costs that are actually sustained at the various levels of instruction.

STUDENT AID

We submit that existing student aid programs, created in a series of measures beginning in 1958, have, within limits of often inadequate appropriations, been remarkably successful. If they could be funded to meet the approved institutional requests for funds, we would come close to achieving the goal so often proclaimed—the removal of all financial barriers to postsecondary education.

The following elements in the existing programs seem to us sound, and we see no reason to change them.

1. The need of each student, or to put it another way, the resources a student and his family can provide toward the expenses of his or her education is determined by the institution under systems approved by the Commissioner.

2. Opportunity grants of up to $1,000 are awarded to the neediest students. This in effect means that if a student can provide no resources of his own, he is eligible for the maximum grant. If he can provide as much as $800, he is eligible for only $200 in grant assistance.

3. Beyond this basic grant all students demonstrating need are eligible for work-study assignments. Theoretically, this means that they can earn as much as $720 during the academic year, assuming 15 hours of work per week at the prevailing minimum wage of $1.60 an hour. In fact, typical earnings are closer to $450. This reflects not only the fact that many students cannot possibly carry a 15 hour load of outside work but also that in many areas of the country and on many campuses there is not enough work available.

4. National Defense Loans are available to bridge the gap between the resources already described and the expenses the student must meet. They also are available to the student whose academic problems are such that he must devote full attention to them without the burden of a job during the college year.

It seems to us hard to fault this system. It assures that the greatest amount of aid will go to the neediest students. Equally important, it recognizes that need is not absolute, but relative, and that with college costs what they are, even families and students in the so-called middle income brackets require assistance.

The key to the system requires that it be institutionally administered. The student financial aid officer can determine need on an individual basis and put together an appropriate mix of assistance. He can take into account aid being received by the student from other sources, such as Social Security, Veterans benefits, and state and private scholarships and loans and adjust the mix accordingly. In 1958 when aid programs began with the National Defense Loan Program, there were few professionals in the field, and need analysis was in its infancy. That situation has changed. There are undoubtedly still institutions inadequately staffed with competent student aid officers, as, indeed, they are inadequately staffed with other professional administrators. They should be and are being helped by both the Office of Education and professional societies to upgrade their operations. But we would be reluctant in the extreme to see the present system abandoned and a new one established, when we see no evidence that the approach in the last decade and a half has failed or even has serious flaws.

We do have some suggestions for change in existing programs, and since we have testified on them in the past, we shall touch on them only briefly today. Many of them are designed to effect economies so that we may stretch available dollars farther.

The Guaranteed Loan Program.—Ideally, we see this program as providing assistance—call it loans of convenience—to families and students who need to stretch out over a longer period of time the payment of college expenses. Viewed in this light, there would appear to be little need to subsidize the program, other than to guarantee payment to the lenders. The National Defense program should be the vehicle for loans where demonstrated need exists.

In practice, unfortunately, appropriations for NDSL have never been adequate to meet fully demonstrated needs, and, therefore, the Guaranteed program has picked up the slack. As long as this situation prevails, we would urge that the interest subsidy feature of the Guaranteed program be retained, but that the subsidy be available only when the lender is furnished a certificate by a college student aid officer indicating the amount of loan the prospective borrower needs to balance his budget. All other borrowers should pay the going interest rate as established by the Commissioner.

Interest Subsidy.—We suggest that the committee discontinue the interest subsidy for all students under all programs five years after they have left the academic institution. By that time they should be launched in their careers and able to meet interest costs at market rates.

Forgiveness of Loans.—We continue to believe that forgiveness of loans for borrowers who enter particular careers serves little purpose and that the funds devoted to forgiveness might better be used to assist students when they have the greatest need, that is, when they are students. We favor its total elimination, but can see certain merits in it where workers go into really deprived areas, rural and ghetto, at salaries not commensurate with those paid in more prosperous areas.

Flexibility.—It will be clear from our testimony that we favor maintaining separate identity for Opportunity Grants, Work-Study, and NDSL loans. In financing students, each award is built on the foundation of the other. Nevertheless, we would favor authorizing a financial aid officer to shift funds back and forth among programs to the extent of 10–15 percent of its institutional allocations. This would give him the flexibility he needs to meet the particular requirements of each student.

Secondary Market.—Only with great reluctance would we see funding of NDSL removed from direct appropriations. With $1.9 billion already in the revolving fund, we see a real possibility of this program's eventually becoming self-sustaining if we eliminate forgiveness. Getting a program "off the budget" does not mean that the Government's commitments are any less. They may even be greater in the long run. Nevertheless, we sympathize with those who must manage the Federal budget and cope with its inability, unlike that in any other American enterprise, to distinguish between an outright grant and a gilt-edged loan. Therefore, we do not oppose, although we cannot support, the concept of getting NDSL off the budget. The Congress must decide, after hearing both sides, which approach in both the short and long run is economically sounder.

We do recognize that commercial lenders, and particularly banks, face a liquidity problem. This has nothing to do with yield or risk. Student loans must compete with all other demands for funds, and yet they are, by their very nature, long-term (10–15 years) with no return of principal or interest for several years. With no expertise in how such an institution would work, we do, however, support the creation of a secondary market that would warehouse or buy student loan paper, issued by commercial lenders, that would give them the necessary liquidity to make new student loans.

Lastly, we would favor extending all student aid programs to part-time students. There will be difficulties entailed, but we are confident that the financial aid community can work them out. As we move into an era of perhaps life-long, in-and-out, education we can no longer afford to think only of the 18–21 year old full-time student as worthy of support. We also think the time has come to support, through the various Federal programs, students in proprietary schools which are providing quality training. Many such schools offer the only rational programs available to many students. If the Congress sees fit to include students attending these schools in all Federal programs, we hope it will write the eligibility and accreditation requirements tightly and demand an annual report from the Office of Education on the ways in which it determines eligibility and ineligibility.

CONSTRUCTION OF ACADEMIC FACILITIES

As we mentoned earlier, the assurance of educational opportunities depends on the provision for physical space for, as well as financial aid to, students, and the necessary funds to keep colleges in operation. This Committee pioneered in establishing grant and loan programs to enable institutions to build new facilities in order to serve the increasing number of students entering higher education. Regrettably, appropriations in the last few years have not matched authorizations.

Let us examine the need as it exists today. Even if we could assume that all institutions, public and private, four-year and two-year, had adequate facilities at this point, they would still need aid for expansion to meet increasing enrollments that can be anticipated for the remaining years of this decade. Clark Kerr, in a Carnegie Commission study, estimated that enrollments would continue to rise until the late 1970's when they would peak; then level off during the 1980's only to pick up once again in the 90's.

A report entitled "Federal Support for Higher Education Construction; Current Programs and Future Needs", published by the Office of Education in the autumn of 1969, estimated that by 1977 there would be 3.2 million more college students than in 1969. The report stated that "there is an urgent need to begin the long overdue job of rehabilitating and converting obsolete and substandard academic facilities in many institutions." It further estimated that $2.8 billion per year would be needed from 1970 through 1974 for construction of academic facilities.

The Administration's plan to aid economically disadvantaged students will according to the testimony of Office of Education officials, bring into the colleges each year approximately 75,000 high school graduates who would not otherwise pursue a higher education. It is likely that other student aid plans introduced in pending legislation may have similar impacts on enrollment. These students will further swell the normal enrollment increases which may be anticipated.

The demand for new facilities takes many forms. In urban centers large numbers of students who a decade ago might not have considered the possibility of college-level education now are demanding it, and require accommodations. On well established campuses, the need for academic facilities is affected to an important degree by changes in instructional methods. New kinds of scientific laboratories and language laboratories are required. There is a growing demand throughout the country for training in such fields as allied health sciences, which may require specialized facilities that do not exist on enough campuses today.

The higher education community has been involved in experimentation with new forms of postsecondary education for some time. Special courses and programs for adults are being expanded. In urban areas colleges and universities are opening extension centers in storefronts to serve disadvantaged persons residing in the community.

While the term "facilities" generally connotes the idea of constructing new buildings, we wish to emphasize that colleges and universities are confronted with a need to alter and rehabilitate older structures as well as build new ones. At times, new students can be accommodated by converting an obsolete gymnasium into a classroom building, provided the funds are available for the necessary wall separations, corridors and the like. For example, in Denver, Colorado, a relatively new institution, Metropolitan State College, was established to serve the center city. It has been doing that, but its campus consists of 11 buildings strewn through the downtown area of Denver. Few of these buildings are new. The greater number consists of converted older structures. With better funding, the structures chosen for the campus might have been closer geographically and better suited to the needs of the students and faculty. It would be more efficient to operate that campus if students were not literally required to drive from class to class because of the distance between classrooms.

To meet the needs of colleges such as this, Federal funds should be granted for rehabilitation. Colleges and universities are very conscious of the shortage of funds for such improvements. Studies of new techniques are constantly underway to determine more efficient means of using existing facilities and how to get more facilities for the dollars available. But institutions can do only so much with the existing space they have. Ironically, funds made available often may be used only for new construction and not for renovation. At the state level, funds for renovation are scarce to non-existent. For example, a recent study at the University of California indicated that the institution was operating with $6 million of deferred maintenance and needed tens of millions of dollars for alterations that would enable it to accommodate an increasing number of students. There has been no state money available.

The details in the 1969 Office of Education report previously cited make it clear that the Higher Education Facilities Act of 1963 played a major role in enabling institutions to add academic space providing a capacity for almost 700,000 students. It is worthy of comment that, while the Act was not focused on the disadvantaged, the fact that it increased the capacity of 1,600 colleges and universities made it possible for many of these institutions to admit more low-income students who were being assisted by Federal programs.

This panel, representing the great majority of institutions of higher education, recommends continuing both Federal grants and direct loans for the construction of academic facilities, as well as the program of interest subsidies on loans obtained in the private market. We feel, as we did in 1963, that reliance solely on loans will inevitably lead to increased fees for students. Therefore, we recommend $1 billion annually in authorizations for grants for building needed academic facilities. We continue to support the direct loan program as well as the interest subsidies, since some institutions still find it almost impossible to borrow in the private market. We recommend that Congress authorize $500 million annually for the two loan programs.

Once again, we wish to emphasize that while we recognize the pressing need to increase student aid, we do not see how institutions can reasonably be expected to continue absorbing more and more students without the means of preparing facilities in which to educate these students.

MISCELLANEOUS PROGRAMS

Finally we come to a number of categorical programs that have, through the years, proved their worth in developing specific competences or overcoming specific deficiencies in higher education. We would urge this committee to continue the authorizations for all of them. We refer explicitly to the following programs:

Aid for Disadvantaged Students.—Three programs—Upward Bound, Talent Search, and Special Services for the Disadvantaged—are designed especially for students whose educational backgrounds are not on a par with their colleagues'. All three are needed—Upward Bound and Talent Search to seek out and prepare disadvantaged students for college, and the Special Services program to help colleges provide remedial and tutorial assistance to them once they are enrolled. We urge a generous authorization for the Special Services program, since these services are costly. Without extra help, colleges cannot provide them, except at the expense of other services and programs for the student body as a whole.

Aid for Developing Institutions.—A sizable number of institutions, located largely, but not entirely, in impoverished areas of the country, are performing extraordinary service in educating minority students. Their resources are totally inadequate to their task. It was with great foresight that this committee sponsored a program especially for these institutions in 1965. With more and more minority students, particularly blacks, seeking a higher education as the years go by, it becomes even more essential to assist the developing institutions to upgrade the quality of their education.

Community Services and Continuing Education.—Through the years, this nation has been generous with its agricultural extension funds, an investment which has paid a rich return. Surely in a nation now largely urban and suburban, the time has come to invest as handsomely in urban extension work. There is an acute need to marshal higher education resources to attack the many social and physical problems of the urban society. Many colleges and universities have in some measure related their programs to urban needs, but few have done as much as they could do if they had more adequate financial resources. Therefore, we recommend continuance of Title I of the Higher Education Act of 1965 with a substantial increase in the $60 million now authorized (but not appropriated) for this program.

College Library Resources.—It is axiomatic that a college must have a good library to provide a good education. The library program under Title II of the Higher Education Act, though modest in its funding, has been a godsend to many institutions, and a major source for acquisitions for the libraries of the most impoverished colleges. Inflation has hit library materials costs, as well as other costs, since Title II was originally enacted. We would hope for a generous authorization for its continuance.

Instructional Equipment.—The instructional equipment program under Title VI of the Higher Education Act is another example of a program which has produced results of greater proportion than the modest sums provided for it. The State Commissions responsible for allocating these funds are unanimous in their belief that few small Federal programs have been more beneficial to colleges and to students than this one. For many institutions, Title VI has afforded the one source of funds they could tap to make use of new educational technology.

Fellowships.—The Administration has proposed phasing out the fellowship program enacted in 1958 under Title IV of the National Defense Education Act, on grounds that the nation now has an oversupply of Ph. D.'s. We feel that this would be a grave mistake. To cite an example, we recall that in 1951 there was an oversupply of engineers who couldn't find jobs. Immediately engineering enrollments in the colleges declined. Just a few years later engineering schools and industry were setting up enormously expensive crash programs to train engineers because the shortage of them was so acute.

We would caution against moving too rapidly in the current period of transition in the employment of Ph. D.'s. The long-range relationship between the demand for, and supply of, these highly trained persons is by no means clear. We may not need as many Ph. D.'s as we have produced in recent years; but neither can we afford to dig up the pipeline. We recommend, therefore, a continuation of the NDEA fellowship program at a minimum level of 1,500 new fellowships per year.

We also recommend a continuation of the program under Part E of the Education Professions Development Act to train college teachers and administrators at less than the doctoral level. This program is needed to train teachers with special skills for special kinds of teaching, and is of particular benefit to our burgeoning community colleges.

Language and Area Studies.—The expenditure of modest sums under Title VI of the National Defense Education Act has enabled colleges and universities to develop a foreign language and area study capacity that was almost totally lacking when the act was passed in 1958. We now have strong centers spread through the country with competence in languages once rarely studied. It is essential to continue this program in order not to lose the expertise so long in building.

THE HIGHER EDUCATION FOUNDATION

We support the Administration's proposal to establish a National Foundation for Higher Education because we believe that innovation and experimentation in higher education are urgently needed, and because we are convinced that only support by the Federal government will make possible the range of innovation that we consider desirable.

In our judgment the five purposes of the Foundation as stated in Section 3 of H.R. 5192 are clear, important and attainable. The kinds of activities which the Foundation is authorized to support by Section 5(a) of the bill are practical and of high priority in adjusting higher education to new needs and opportunities. The authority in Section 5(b) to make studies in the field of post-secondary education, including studies related to post-secondary education finance, organization and management, are in our judgment an integral part of the activities of the Foundation, particularly because it must be able to assess critically the innovative efforts which it funds. Any bill which would state the purposes and activities in the general terms stated in H.R. 5192 would in our opinion be satisfactory.

We see no conflict or overlapping between the proposed Foundation and the proposed Institute for Education. The Institute will concentrate on research relating to education, concentrating but not confined to the pre-school, elementary and secondary levels. The Foundation will concentrate on innovation and implementation at the post-secondary level. The Institute will be heavily engaged in research on such matters as the learning process, motivation, family and cultural influences upon learning, curricula and so forth. The Institute would not be heavily engaged in support or evaluating innovative efforts in higher education, as would the Foundation. Since both organizations are related to education, there will be a border area where the legitimate interests of the two organizations should and will converge. Reasonable administrative judgment on the part of the Directors of the two organizations, together with use of authority to transfer funds, would resolve any problems that may arise.

We wish to commend the Secretary for modifying his proposal for the Foundation so that operating functions are removed from the Foundation. We advocated this removal, and now find the statement of objectives and the activities entirely acceptable.

Since the Foundation is a new concept, it is our earnest hope that the proposal will be discussed intensively with a view to arriving at a proposal which will become law.

As contrasted with the statement of purposes and activities, we see a need for further discussion and modification of the portions of the bill which spell out the relative authority and responsibility of the Secretary, the Director of the Foundation and the Board of the Foundation. Two separable but related problems are involved here—the degree of independence which the Foundation should have, and how the independence of institutions of higher education is to be preserved when the Federal government can to some degree decide the direction and nature of change in higher education.

We consider it to be of the utmost importance that the Foundation be able to act with a high degree of independence. By this we do not mean that the Foundation should be another branch of government. It should be broadly responsive to the policies of the President. However, it should not be the machinery for administering to higher education prescriptions decided upon by government. The Department of Health, Education and Welfare and other agencies of the Federal government should be a source of ideas for the Foundation to consider, but it should not have executive authority to tell the Foundation which kinds of innovation should or should not be tried. In this connection, we were pleased to note that in his testimony before this Committee on March 18, Secretary Richardson was sensitive to this problem. He said: "I think it important to emphasize that we visualize the Foundation as operating under a strong higher-education Foundation board and a strong director. * * * it is not, I can confidently say, a relationship under which we would expect the Commissioner to tell the Director what to do but rather a relationship designed * * * to try to make sure that the pieces fit together in a complementary way." Moreover, the Commissioner of Education expressed these views in testimony before this Committee on March 18: "The Director of the Foundation would not be a handmaiden, if you will, of a Commissioner; he would not be a person subordinate to the Commissioner in the sense of taking direction. I would see the roles as very compatible, collegial and mutually supportive."

However, we have some reservations as to the adequacy with which these concepts are stated in the Administration's bill. For example, it states (Section 2) that the Director of the Foundation "shall perform such duties in carrying out this Act as are prescribed by the Secretary of Health, Education and Welfare." This conveys a tone of subordination rather than independence.

Without suggesting that the Foundation for Higher Education be outside the Department of HEW, we see in the National Science Foundation some structural principles and some internal arrangements which deserve careful consideration. This consideration is indicated because the functions of the proposed National Foundation for Higher Education and the National Science Foundation are broadly analogous. Both would provide governmental funds to institutions—one for research and one for higher education. The innovative as contrasted with the research function of the Higher Education Foundation is stronger, but this is not a critical difference. Both would provide governmental funds to areas of activity that must be protected against the imposition of central authority. Yet both must have a set of broad purposes which will inevitably influence the actions of individuals and institutions.

One might say that science, as contrasted with higher education, is not beset by deep philosophical differences and involved in political decisions. However, science on the national scene is in fact as deeply involved as is higher education in fundamental and controversial questions relating to the purposes of the entire undertaking and the proper role of the Federal government. One need only reflect on the deep disagreements as to the responsibilities of the National Science Foundation for the solution of social problems to realize the close parallels between the way in which science and higher education become politically involved. Incidentally, it is worth noting that the National Science Foundation has retained the respect of all parties concerned, and that it has not been politically dominated in a partisan sense, in large part because its structure and distribution of authority have been worked out with great care.

In the light of this background, let us look briefly at the structure and distribution of authority proposed in H.R. 5192. It is simple. The President appoints the Director, who performs duties prescribed by the Secretary of HEW. (Section 2). A Higher Education Foundation Board advises the Secretary and the Director on matters of general policy, and prepares an annual report to the Secretary. (Section 4). The President designates one of the members of the Board as chairman. (Section 4). The Secretary is empowered to make grants or contracts to carry out the purposes of the Act.

Proposals for modification

Recalling the dual objective of giving the Foundation an adequate degree of independence and of protecting the independence of institutions of higher education—objectives which we share with the Secretary—the bill as written does not in our judgment present an optimum solution.

1. *Authority of the Board.*—As a central means of assuring an adequate degree of independence, we suggest that the Foundation (as is true of the National Science Board) be given unambiguous authority to set the policies

and priorities of the Foundation for Higher Education, after consultation with the Secretary. H.R. 5192 does not clearly state who sets the policies and priorities of the Foundation but this authority is not given to the Board. In fact, the Board has only two functions, as stated in Section 4. It advises the Secretary and the Director with respect to matters of general policy, and it prepares an annual report to the Secretary.

We believe that an annual report should be prepared by the Board, but that it should be sent to the Secretary for transmission to the President, and for submission to the Congress. We also believe, as in the case under the National Science Foundation, that the act should specifically empower the Board to make in its annual report such recommendations as it deems timely and appropriate.

This degree of independence of the Foundation does not relieve the Office of Education of authority and responsibility for innovation. The activities of the Foundation would simply demonstrate for the Office of Education, as well as for others, which experiments and innovative modes of higher education are productive and ready for large-scale application.

It is important to recognize that not all innovations work, and that all experiments do not succeed. One of the values of a Foundation is that it, to a greater degree than a standard operating arm of government, is designed to take chances on untried ventures and to lose some bets without being accused of incompetence, poor judgment or wastefulness.

2. *Composition of the Board.*—In our judgment, the composition of the Board is an extremely important matter. H.R. 5192, Section 4(b) requires only that the members be broadly representative of the general public as well as the education community. We believe that this is highly desirable, but that twenty years of experience with the National Science Foundation have demonstrated that additional factors are important. For one thing, the members should be eminent in the field of higher education and public affairs. We do not want this Board to be a haven for mediocrity. The members should be selected solely on the basis of established records of distinguished service as the National Science Foundation Act provides. Finally, they should be so selected as to reflect views of leaders in all areas of the Nation and all major elements of higher education. We stress the need for broad representation on the Board.

In the selection process we believe that the President should be requested—again following the lead of the National Science Foundation Act—to consider recommendations of the National Association of State Universities and Land-Grant Colleges, the Association of American Universities, the Association of American Colleges, the Association of State Colleges and Universities and other educational organizations.

3. *Chairman of the Board.*—To emphasize the independence of the Board, we believe that it should elect its own chairman, as is the case with the National Science Board, rather than to have the chairman appointed by the President.

4. *Director of the Foundation.*—While we agree that the President should appoint the Director of the Foundation as provided in Section 2 of H.R. 5192, we believe that this authority should be greater and more explicit than the bill provides. As in the case of the National Science Foundation, we believe that the Director should exercise all of the authority granted to the Foundation (including authority delegated by the Board) and that all of his actions should be final and binding upon the Foundation. Under H.R. 5192 as written, the Secretary alone is authorized to make grants or contracts. While he would undoubtedly delegate this authority to the Director, the ultimate authority (including authority to set conditions under which the delegation would be withdrawn) would remain with the Secretary. We suggest that failure to lodge authority to make grants and contracts in the Director, together with the requirement that the Director carry out such duties as the Secretary prescribes, reduce the independence of the Foundation to such a low level that it will be difficult to attain the goals which we share with the Secretary.

Incidentally, we wish to point out that the National Science Foundation has devised a system for making grants and contracts which has the full confidence of the higher education community. It is based upon a concept often missing in governmental operations—wide and open participation and involvement by the groups concerned with decisions, and avoidance of predetermined answers. A National Foundation for Higher Education free to adopt the principles and procedures for contracts which have made the National Science Foundation such a conspicuous success would be welcomed by higher education.

Finally, the Director should be required in exercising his executive functions to consult with the Board to insure that the programs which he formulates are in conformity with the policies set by the Board.

5. *Place of the Foundation in the Department.*—We do not have a precise formula for stating the place of the Foundation in the Department, and the relationships between the Foundation, the Secretary and the Commissioner. Some of the suggestions made above relate to this question, but they do not provide a complete answer.

We suggest that the Foundation be considered as an element of the Department with a collegial relationship with the Secretary, as the Secretary and the Commissioner have proposed. We also suggest that the Commissioner of Education be a non-voting member of the Board of the Foundation in order to ensure a close working relationship between the Department and the Foundation. (We suggest a nonvoting status not to reduce the status of the Commissioner, but to retain his freedom of action in adopting or rejecting ideas put forward by the Board.) Finally, we suggest that the budget proposed for the Foundation be presented by the Secretary to the President in a single lump sum for contracts, plus another sum for administrative expenses. For reasons stated above, we believe that the Foundation should be empowered to make grants and contracts and to do so under terms and conditions set by the Foundation. Finally, we note that Presidential appointment of the Director and the Board are means of ensuring the proper degree of responsiveness to the general policies of the administration in power.

Consideration of suggestions of this sort should lead to a reasonable resolution of this thorny problem.

Conclusion

Our proposals are made with the intention of establishing the principles, structure and relationships which will attract the best people, enhance confidence in the independence of the Foundation, protect the independence of colleges and universities while encouraging them to be responsive to needs for change, lead to the formulation of superior programs, and enhance the quality of administration. We do not make these proposals dogmatically or with the feeling that we know the ultimate answer to all of the problems, but with concern that the existing proposal needs modification in the general direction which we suggest.

In conclusion, we wish to emphasize our belief that innovation and general institutional support are related. General support is needed if productive changes are to be widely adopted. Poverty can, and often does, inhibit change. On the other hand, specific funds for innovation and experimentation are necessary to show what will and will not work.

Dr. COSAND. Thank you, Madam Chairman.

Accompanying us are the key staff members of the associations represented, and I hope that when it is appropriate, I may call on them to assist the panel in answer to those specific questions the committee may raise.

The basic thrust of our testimony is that the time has come for the Federal Government to develop a balanced total program of aid to students, aid to institutions, and aid for academic facilities in those institutions, so that they can accommodate the administration's proposed increased number of students. We are saying there that these three parts of the total program, aid to students, aid to institutions, and aid for academic facilities are inseparable and that they really together can provide quality with equality of opportunity.

The legislation that has been written by this committee during the past 13 years has been beneficial both to higher education and to the Nation. The emphasis, however, has quite understandably been heavily on aid to students. The facilities program in the late 1960's was providing significant help in making more space available, but unfortunately it has dwindled to almost nothing, and the shortage of space in certain types of colleges and universities is again becoming acute.

But most important of all is the fact that the costs of educating an everincreasing number of students have far outstripped the resources available for operating expenses, and in this area there has been no assistance from the Federal Government and the burden is falling increasingly on the local taxpayer.

The addition of 1½ million students to our rolls since 1965, the general inflation, the increasing strain on State and local revenue sources, and the state of the national economy as it affects philanthropy have all produced a real and frightening financial crisis for both private and public institutions.

It is for this reason that we place our first emphasis on the need for Federal assistance for general operating support. We are grateful that Mr. Quie and a number of his colleagues have recognized this need and have introduced a bill, H.R. 5193, and that last year Senator Dominick and his colleagues introduced a companion bill, S. 3817. The concept embodied in the bill is precisely what we seek. We do somewhat question, however, relating assistance exclusively to the award of baccalaureate degrees with a set aside for community colleges and nondegree programs.

We believe that a formula related to a full-time equivalent students for credits earned, with appropriate weights given to different levels, lower division, upper division, and graduate might be more satisfactory. Such a formula could be quite simple to administer. The need, as we have said, is urgent, and we hope that the committee will consider our proposal in that light. Another factor could be weightings, such as weightings for small colleges, or weightings for developing colleges, or black colleges where there needs to be more assistance. I think the weighting factor is a key to much of this, particularly the different grade levels and the different types of colleges.

We are in full accord with the administration's determination to remove all financial barriers to higher education, and by that term we mean all kinds of postsecondary school studies. We believe that the basic structure of the existing programs is sound and that if they are extended and are adequately funded, they can achieve the administration's and our own goal. We see the opportunity grant program as providing the base of support for the neediest students. These grants can be supplemented, as they are now, with work-study, or NDEA loans, or more frequently, by a combination of both. We see the guaranteed loan program as a means of assisting students who would not qualify for the three basic programs, but we recognize that since its inception in 1965, it has had to pick up the slack when appropriations for NDSL have been inadequate. This hasn't always worked.

We do suggest certain changes in existing programs. Stated briefly, we recommend:

1. Eliminating interest subsidy 5 years after a borrower has completed his educational program.
2. Elimination of the forgiveness feature of NDSL.
3. A provision that will give the student aid officer flexibility in packaging awards, by allowing him to transfer up to 15 percent of appropriated funds from any one of the three basic programs to another.
4. The establishment of some kind of secondary market to give greater liquidity to commercial lenders, if a workable active program could be developed.

5. The elimination of interest subsidy in the guaranteed program, unless the borrower furnishes a certificate to the lender, signed by a student aid officer, indicating that the student is definitely in need of the amount of loan he is requesting.

6. Extending all forms of financial aid to part-time students.

7. Extending, with proper safeguards, similar aid to students attending proprietary schools.

We strongly urge the continuation of the Higher Education Facilities Act of 1963. We emphasize, as the Congress did in 1963, the importance of grants if capital construction is not to push student fees ever higher as a way of paying for it. We urge the continuation of the title III direct loans, since many institutions must pay very high rates of interest, or find that they cannot borrow at all, under the interest subsidy program of loans made in the private market.

We have testified at length and on many occasions before this committee on the importance we attach to a number of existing programs. At the top of our list would be the several programs relating to disadvantaged students and disadvantaged instiutions—specifically Upward Bound, Talent Search, Special Services for the Disadvantaged, and the title III program for Developing Institutions.

Title I Community Services and Continuing Education has limped along with terribly inadequate funding, but we believe it is potentially the proper vehicle for tackling a variety of our most serious urban, suburban, and community problems. Perhaps regional centers for urban problems, conservation, and ecology study could be developed under this title with cooperative action of colleges within the region strengthening these services.

The college library resources program, and in particular, the basic grants feature has been invaluable for all institutions, especially the small, underfinanced private colleges. Precisely the same thing can be said of the title VI undergraduate instructional equipment program. Both of these programs for libraries and for equipment prevent obsolescence and more of a museum-like atmosphere than an up-to-date college library. Many times I will go to a library and think it is a museum rather than a library. This is also true in the science laboratories.

It is also important that the Federal Government continue to support graduate education through the NDEA title IV fellowships and the Education Professions Development Act to train college teachers and administrators. We are aware that for a variety of reasons there seems to be, at the moment, an oversupply of people educated at this level. We are not sure of the extent of this oversupply or even whether it is real, or if so for how long. It may simply reflect general econmoic conditions.

I can't help but look back some years ago at the oversupply of engineers, theoretically, and then the undersupply and then the oversupply, and the almost yo-yo like effect. I think we have to be very careful that we look at the future in terms of graduate education to be sure that we don't get caught like we did some years ago in the engineering profession.

The title VI language and area studies program has built a strong cadre of experts and established a chain of important foreign area centers that simply did not exist in this country in 1958, when the program began. The investment of small numbers of dollars has paid and should continue to pay rich dividends, especially in a world of closer and closer interactions, since it is rather difficult to say we are separated from any part of the world today.

Lastly, we strongly support the establishment of some type of a higher education Foundation. It seems the logical vehicle, and one that does not now exist, for the support of improved educational programs. We see no conflict between this and the proposed National Institute for Education. We do believe it important to assure a high degree of independence for the Foundation and indeed for the independence of institutions of higher education. Independence of both is essential.

In this connection we recommend certain provisions having to do with the authority of the Board, the composition of the Board, the selection of the Chairman, the position and duties of the Director, and the place of the Foundation in HEW. These suggestions are made in the hope that they would make the Foundation more effective. We are in full support of the basic objectives behind the proposal, as listed in the five points in the proposed bill.

I would say, however, that higher education has a responsibility here to make specific recommendations far more than have been made at the present time by the higher education community. I would hope that the higher education community would take this on as a responsibility.

Madam Chairman, that should be enough by way of summary to indicate our basic positions. All of us here stand ready to discuss them further and in such detail as the committee may desire. President Hester, I know, would like to make a comment in addition to this about the urgency of the situation and, Madam Chairman, if it is acceptable to you I would like to turn to him.

Mrs. Green. Very, very good. Thank you, Dr. Cosand. Please proceed, President Hester.

STATEMENT OF JAMES HESTER, PRESIDENT, NEW YORK UNIVERSITY, NEW YORK, N.Y.

Dr. Hester. I simply want to emphasize that we are in an emergency. This has been demonstrated for us by two excellent studies, the "District Study for the Carnegie Commission" and the "Red and Black," a study made for the Association of American Colleges. What these studies show is that the disastrous effects of inflation are undermining the economic stability of institutions of all kinds, not just big but also small colleges. There are particular emergencies and certain kinds of institutions, particularly those in urban areas, and particularly those that have taken on a large obligation to serve a particular class or that entered in most enthusiastically with the Federal Government in a partnership relation with regard to research. But all institutions are facing a serious problem in maintaining their economic stability and for that reason what has been a rather informal discussion over the last few years about the possibility of direct assistance from the Federal Government has become very serious.

Now, to agree on a formula of some kind, knowing that any one is going to be imperfect, in order to get the kind of assistance to keep functioning, is our task.

Mrs. GREEN. Thank you, President Hester. Would any one of the panel like to speak out on a particular topic before we turn to questions?

Hearing none, let me start, if I may. You make a very persuasive case for institutional grants. You suggest that the amount of institutional grants should be between $450 and $600 million in order to meet the crisis and hopefully you suggest up to $1 billion.

Dr. Cheit yesterday suggested that to meet the crisis, institutions of higher education need some $300 to $700 million. Dr. Allan Cartter agreed with Dr. Cheit that this was a reasonable figure. Would any of you care to comment on this, on the total amount that this committee, if we can, should come up with?

Dr. HESTER. I understand the estimate was based on the conditions obtaining a year ago. Both men now feel in view of the greater deterioration that probably this figure of $1 billion is much more likely to be what is required if this should go into effect next fall.

Mrs. GREEN. We can reread the testimony. I don't recall it that way, but do any of the rest of you have comments?

Dr. HESTER. I think one of the things was perhaps 4.5 to 5 percent of the operating budget, which would come in around $650 million. I think if we are going to have a bill we should have the supportive evidence for that increase. There is an urgency and there is this variance. As you point out New York State has had a program in operation which was between 4.5 and 5 percent and it has proven to be inadequate at this point. We are seeking a doubling of it and the need is very clearly demonstrated in the case of every institution. We are in a very difficult situation in New York. Our State budget is under severe pressure. I don't know whether this increase could take place, but the level at which we were being supported for the first 3 years is not adequate.

Mrs. GREEN. I favor institutional grants but I want to be sure that we can have some figures that we can defend on the floor and you people well know that the cities and others are coming to Congress crying for funds and we have some priorities that we have to establish.

In your testimony you suggested that the construction needs, building construction needs ought to be funded at around a billion dollars. Do any of you have any views about combining the ability of construction and institutional grants, if we should go in that direction, and then let the institution decide the priorities because I think some institutions are meeting their facility needs. Some I think maybe are even overbuilding, and others have great need for that. What would be your judgment of combining the two?

STATEMENT OF PAUL W. ROSSEY, PRESIDENT, WESTCHESTER STATE COLLEGE, WESTCHESTER, PA.

Mr. ROSSEY. I think one of the problems we face here is in getting so specific we lose the whole pipeline, and one of the hopes that we have would be to persuade you of the absolute urgency of all three phases of this program; the institutional, the student aid program, and the facilities.

I think if you are asking us as individual presidents to say that we would like to have these funds more unrestricted the answer is of course yes. But the problem we might see here is that in developing an institution aid formula alone and excluding the building needs, when the money came through it might be so reduced we would be forced to put it into operating funds rather than building construction. Another way is to just add to it. If we could come up and say we need so much and came up with a total dollar figure for all three of these, then having the appropriation unrestricted would be a very welcome thing.

Mr. **Branson.** Well, Madam Chairman, I guess you know that some of us would not be happy with just across the board institution grants. We recognize, for example, that institutions are supported primarily from six sources; Federal money, plus State money, plus student fees, plus endowment income, plus foundation grants, plus private gifts and things like this.

I think we should know that in America certain schools do not participate in some of these as others do. The figures which I have, for example, are that the private foundations are giving away roughly a billion dollars a year and very little of that will go into certain schools; private gifts $1.5 billion a year. And I have learned from my own study that perhaps black schools, black colleges and universities are getting roughly 1 percent of that.

We would like to urge institutional grants but grants which recognize these discrepancies and inequities and which will insure that certain schools that are really nearer the brink than one with 5,000 students which got $6 million in private gifts and grants last year, with a billion one hundred million dollars in endowment, will lead the line.

Mrs. **Green.** Could I interrupt? We are going to hear from you later on. My question was really not to phase out all of the other categorical programs, just to the construction and the institutional grants, whether they might be combined. If I listen to what you are saying I read into it that you would like a needs test. Would you come up with a formula for us that is fair?

Mr. **Branson.** Yes; I have one for you.

Mrs. **Green.** Fine; I have been searching for one and found it impossible for me to devise one that is fair and have not had anybody else suggest one.

Mr. Dellenback?

Mr. **Dellenback.** Thank you, Madam Chairman. It was part of your general statement, Dr. Cosand, and I don't know whether your summary touched it again, but on page 5 of your basic statement, you say the urgency of obtaining additional funds for operating expenses is so great the details are secondary.

This concerns me very much because I know that the tendency of the Congress in creating formula is of such a nature that, while theoretically it is always possible to change the formula, once a formula is created, there is immediately a group created that has a vested interest in that formula and it becomes very difficult to change that formula. This leads me to think it is extremely important that the institutional formula really be as sound as possible, because while there may be possibilities in the future of adding to it, it is almost impossible according to my limited experience, to replace after that has once happened.

So this basic concept, and it is more than just these words you have used, troubles me. I think it is extremely important that you and we, if we are to be ready to march forward, come up with the soundest possible formula. That is the reason Mr. Branson's concept of having a formula is something we need to push. It is not such a question of empty rhetoric. We must look at this closely, especially in establishing a program of institutional aid because I think it is going to grow. That which we create now is not going to be a one-shot emergency program.

Dr. **Cosand**. I couldn't agree with you more.

Mr. **Dellenback**. So I think it is critical that we get that background. Following up a little on Dr. Branson's remarks and Mrs. Green's question, are you saying that you think the formula for general institutional aid should not be an across-the-board one that just applies on some mechanical basis to all institutions, large, small and so on? You would disagree then with some of the testimony that has just been given to us which talks in terms of a formula which applies across-the-board?

Mr. **Branson**. Well, I think Dr. Cosand knows I don't agree with that particular formula. I believe we must recognize relative need because of their history really. I do have greater need than certain others. I know that that may be very, very difficult to establish but I think that there are other ways of looking at it and I think we could base it upon these six roads and avenues and really examine the institution in terms of what its totality is.

Mr. **Dellenback**. Before we look at the specifics, which I think are important to look at, does this basic concept of need have any correlation with quality of education?

Mr. **Branson**. I don't think so because I think the quality of education has been a bugbear which has been dragged across us too much. I think we must recognize what many are doing. They are supplying a certain need. For example, if you look at colleges like Miles Memorial in Birmingham, it is training all of the teachers for the Birmingham schools who are black. Therefore it is furnishing an essential commodity for that particular group of people; therefore, it should be continued. Miles Memorial is not supplying people, for example, in competition for Sloan Foundation grants, but it is supplying another segment of people who are going through higher education. I think we must recognize what an institution does for its particular community.

Mr. **Dellenback**. Would you feel that there are any institutions of higher education which should not get institutional aid because they are low quality or marginal in operation for one reason or another? Would you use the simple question of accreditation, saying every institution that is accredited should receive aid across the board, or would you have any other criteria that reflect something else?

Dr. **Cosand**. I'd like to answer your question this way: When a study was made by Earl Cheit a while back—and you are familiar with the study on the financial problems facing colleges and universities in America—it pointed out those that were in financial difficulty, those that were approaching financial difficulty, and those that appeared on the surface to be acceptable. When this report came out, in general those that were in financial difficulty didn't want it advertised across the country that they were. Neither did those that appeared to be all right. Everybody wanted to be in the category as approaching financial difficulty.

I think maybe this relates to your question. It is very difficult to pin down, as specifically as one might wish to pin down, the situation of a particular institution in the way you raised in your question. Frankly, I have no particular sympathy with an institution which is not doing its job and with giving it a few dollars to keep its nose above water. I wouldn't think any of us would, but it is awful hard to evaluate this particular question.

So going back to what President Branson said, it seems to me we should have across-the-board assistance, say 4.5 to 5 percent of the operating costs, and in addition to that, as I mentioned in my testimony, a weighting. Weighting assistance on the basis of the small colleges today, the first few hundred students could get triple or double the normal amount and then in addition to what a weighting on the basis of black colleges and a weighting on the basis perhaps of some of those colleges in urban areas which are faced with the problem of enrolling from the inner cities students in their 20's and 30's and older than that many times.

With respect to enrolling those students who have never had an opportunity before, we talked about equality of opportunity and quality with equality and I think the word quality is a key word here. Equality of access to a college doesn't mean that you had equality of opportunity and this concerns me very much. Having students come into the colleges and once there find that there is nothing there for them, really that the program is maybe traditional in its concept and yet the students coming in need to be moving into compensatory programs for maybe one semester or two so that they can enroll in a career program like nursing or engineering technology or dental hygiene. So again there is a special problem facing these urban institutions that are commuter institutions; where students cannot afford perhaps to go away for lots of reasons. Maybe forgone earnings is a problem, maybe maturity is a problem, maybe they have a family. A lot of nursing students have three, four, five, and six children. So we have this problem where I think the weighting is an additional consideration.

Mr. DELLENBACK. So you would weight——

Mrs. GREEN. The time of the gentleman has expired. Congressman Brademas?

Mr. BRADEMAS. I appreciate very much your excellent statement. As I understand what you are saying, you are endorsing a fourfold program of student aid in which you are proposing basically to keep the existing system and retain the present pattern of the NDEA. Is that correct? Second, that you are proposing to keep the project grant program, the several project grant programs. Third, you are retaining present programs of facilities, construction, and you want a billion dollars a year for that.

Dr. COSAND. And a half billion dollars for direct loans.

Mr. BRADEMAS. And fourth, you want a new program of institutional aid at an annual authorization of about a billion dollars. Have I roughly got your posture? Because let me say, I happen to agree with your program. I just want to be sure I understand it.

I think it must also be obvious that there is quite a gap between what was presented by the administration and what you are here proposing, the most obvious being that of about $2 billion which you are recommending in facilities and institutional grants while the administration, as I understand it, is recommending no money for those purposes. And it does seem strange to me that there is this enormous disparity of judgment. One thing I would invite your comment on is the question of aid to students. How is it possible to bring more students to the institutions through expanding aid programs for lower income students in particular, and not provide any more money to help meet the cost of those students?

STATEMENT OF DONALD KLECKNER, PRESIDENT, ELMHURST COLLEGE, ELMHURST, ILL.

Dr. **Kleckner.** We feel you cannot do that. In other words, you cannot just get them inside the door and then let them go. We feel we must have the facilities to educate them, money for supporting the programs to educate them and so we look upon it as a three-prong program rather than just access to education.

Mr. **Brademas.** What further comment can you make on what I understand is being proposed at both Yale and by the Governor in Ohio; namely that students would repay a percentage of income?

Dr. **Hester.** This is a device that can be used in some instances to help students meet the cost of education, but there are many, many questions about this as a uniform device for financing higher education. The analyses have not been made and it certainly is worthy of experimentation but it is not an answer to the institutional problems we are facing or the cost of education for many, many students.

Dr. **Cosand.** I believe one thing is the fact that both of these could very well cause the tuitions to spiral upward rather rapidly.

Mr. **Brademas.** I noted in this morning's Chronicle of Higher Education that Allan Ostar, executive director of the American Association of State Colleges and Universities, said this would mean the end of public education. That is a rather sweeping statement.

Dr. **Cosand.** It proposed that the student would bear the cost rather than the taxpayer, and we have assumed that there is a mutual benefit. The students and the taxpayers derive a benefit and we believe they should share in the cost of it.

Mr. **Brademas.** Turning to one other question if I may, Madam Chairman, your testimony which is very interesting on the proposed foundation—do I generally understand that you'd like to see such a foundation were it to come into being, established and operated along the lines of the National Science Foundation?

Dr. **Cosand.** I'd like to refer that to Dr. Kidd.

STATEMENT OF DR. CHARLES KIDD, DIRECTOR, COUNCIL ON FEDERAL RELATIONS, ASSOCIATION OF AMERICAN UNIVERSITIES

Dr. **Kidd.** Yes, Dr. Cosand. We see many parallels between the National Science Foundation——

Mrs. **Green.** Would you please identify yourself for the record?

Dr. Kidd. Charles Kidd. I am the director of the Council on Federal Relations of the Association of American Universities.

Mrs. Green. Thank you.

Dr. Kidd. We see many parallels between the National Science Foundation and the proposed National Foundation for Higher Education in that both organizations would provide funds in the first case for the support of science and in the second case, innovation at the level of higher education. These are not exactly parallel but they both involve the Government in the provision of support for very scientific areas where one was to sustain the independence of the institutions concerned and at the same time involve them in change. Our view is that there are many elements of the National Science Foundation structure and method of operation that are analogous to the proposed National Foundation for Higher Education and should be considered when one is dealing with the question of authority, the structure, and the place of the foundation within government.

We do not propose that the National Foundation for Higher Education have the free-floating status within the executive branch that the National Science Foundation has. This is a very difficult point as to exactly what the relationship should be between the Director of the Foundation and the Board and the Secretary that in our view is—as the testimony indicates—that some greater degree of stature and independence for the Director and the Board are indicated as compared with the position taken by the administration.

Mr. Brademas. Thank you.

Mrs. Green. Thank you, Dr. Kidd. Congressman Quie.

Mr. Quie. I will yield to Mr. Erlenborn.

Mr. Erlenborn. Thank you, Madam Chairman.

I don't think that you have commented in your presentation on the administration's proposal to change the application of student financial aid and the concept of the EOG's, work-study and the guaranteed type of loan, or the subsidized type of student financial aid for the lower income groups? Would you comment on that?

Dr. Cosand. Yes. I'd like to refer that also, if I may, to Mr. Morse.

STATEMENT OF JACK MORSE, AMERICAN COUNCIL ON EDUCATION

Mr. Morse. Jack Morse, with the American Council on Education.

We did not comment specifically on the administration's proposal, Mr. Erlenborn, because the community of higher education believes that the current pattern of opportunity grants with work-study as an addition to opportunity grants, and with NDSL loans piecing out the difference between these two programs has proved, since the beginning in 1958 and coming to its maturity in 1965, a successful pattern of programs that has reached not only the very impoverished kids but the moderately impoverished kids of the middle-income class as well.

We would prefer to see, in other words, an opportunity grant as a base with work-study built on top of that rather than having opportunity grants and work-study combined into one which would virtually force all but the very lowest income youngsters into large amounts of loans to sustain their education.

Mr. Erlenborn. Dr. Kleokner?

I would like to make note of the fact that Elmhurst is my hometown and Dr. Kleckner's. He is a very good friend and a good judge of ties, as you may notice.

Dr. KLECKNER. I think the administration's proposal would discourage the low-income student from attending a private college with high tuition. I think if you apply it, for example, to small colleges which have room, board, and tuition in the $3,000—some reaching as high as $4,000—range and to apply that principle to that type of institution for a low-income student you would have to have almost each student end his college career with at least $7,600 in loans, which is quite a burden to bear in the repayment.

I have worked it out, for example, what it would mean to a school like Elmhurst College. We would still have to give some of our own money toward this type of student, but it would also mean that a student would have to have $7,600 in loans. So I think it would discourage that type of student from coming to the high-tuition college.

Dr. COSAND. President Hayes?

STATEMENT OF WILLIAM S. HAYES, PRESIDENT, ALICE LLOYD COLLEGE, PIPPA PASSES, KY.

Dr. HAYES. President Cosand, the Association of American Association of Junior Colleges which I represent has a particular interest in the adult and part-time student who enters into educational programs on a continuing basis, sometimes with home and job responsibilities. And this, by the way, is one of the most important programs for our providing an access to education to people who do have responsibilities of home and job.

This student aid to the part-time student on a full-time equivalent basis is also one of the statements of our joint group of associations here. I would note that with relation to the part-time student who is working, that the separation into identifiable portions for the educational opportunity grant as distinguished from the work-study program would be most important because this working part-time student may not need any further work program.

We would note that the institutions have built up a good deal of expertise in their financial offices over the period of years; and that the present programs, if they can be opened up to the part-time student and with the emphasis upon the needs the administration has provided during this year, existing programs will utilize the expertise of our financial officers and give the institutions their best approach to funding opportunity.

Dr. COSAND. One thing that is very important: Many of these students, and it is a high percentage in our community colleges who are working, many of these students are working 5, 10, 40 hours a week to try to get through college, and for them to have to bear the brunt of the full cost because they are working and somebody who is not working gets a free ride, if you will, is a conflict, and I think there should be eligibility for a part-time student.

Mr. ERLENBORN. To get into another subject, I notice with pleasure your support of the secondary market, in which I have been quite interested for a number of years. One unresolved question, I think, is the role that the education institutions themselves will play as being the institution to grant the loans. Do you believe that, with the secondary market device, the educational institutions themselves will play a greater part in making the loans, or would you still prefer to rely on financial institutions to make the loan?

Dr. COSAND. President Shannon?

Dr. SHANNON. Well, I don't think I am qualified to speak on that one.

STATEMENT OF HERMAN BRANSON, PRESIDENT, LINCOLN UNIVERSITY, LINCOLN UNIVERSITY, PA.

Mr. BRANSON. Could I just say one thing? I think it is absolutely mandatory that the educational institutions control the loans because we have found too much difficulty when private institutions do it. For example, they set requirements that certain students cannot possibly meet.

Mr. ERLENBORN. Would you then see the secondary market as a device to shift the loanmaking role from the banks to the institutions?

Mr. BRANSON. Yes. I think in a conventional sense, yes. This is a market where the schools can control it; somehow it can be handled. I know this is a very difficult problem.

Mr. ERLENBORN. Do you want to be in the process of collecting the loans as well as making them?

Mr. BRANSON. We are now. I think much more important here is that young people must be really assured that this money is available and that they can get it. At the present time the major tragedy is that that is not so, and young people are being turned away.

Mrs. GREEN. Congressman Quie.

Mr. QUIE. Thank you, Madam Chairman.

I'd like to ask you some questions about institutional grants because you have mentioned in your testimony very strongly supporting this concept for some time. Let me first ask you, on point No. 5 on page 3 that all regionally accredited institutions should be eligible for an operating grant. I have heard some say we are making a mistake to leave the decision to the accrediting organizations as to which higher education institutions should be supported. Do you think we are making such a mistake, that there are some institutions that have not been accredited which should receive grants?

Dr. COSAND. Congressman Quie, on the accreditation question, a new institution just starting up say a year ago can now apply through an accrediting agency for what is called correspondent status. The reason is to make them eligible for assistance from Federal grants. The next step is into recognized candidates for accreditation. Third is the accreditation. The reason I make these differentiations is it is a broader definition than just the word accreditation alone and I think with this kind of operation that we do cover the institutions pretty well that should be qualified for this kind of assistance. It is not just accreditation.

Mr. ROSSEY. I think I'd like to respond to Congressmen Quie and Dellenback on the basis of equality. I think the representation at this table indicates to you folks, as you well know, the complexity involved in all kinds of higher education. The matter of quality has to go back to the kinds of goals that we set for an institution and in each one of our categories I think we have some differences. While we have some understandable overlapping, perhaps we don't have as much duplication as some would like to think.

For example, there may be the goal of a large university that has a research program which smaller institutions can't hope to do very effectively. If this is true then part of the evaluation of quality has to be based on the goals set forth by the institution itself, and I think this is where accreditations come in. I don't think one of us at this table would want to indicate even by implication to the committee that we would wish to see money go to a low quality institution or a nonquality institution, or perhaps in some cases a negative quality institution.

I think what we are saying is that you can't say certain kinds of schools are good schools or bad schools without saying what they are trying to do. One of the values I can see in the foundation as it comes about is that we can help to more clearly delineate some of our purposes.

Mr. Dellenback. Are you then saying that you would take accreditation as the measure of equality?

Mr. Rossey. Yes, sir; I would. The reason I am saying that is because I think accrediting speaks for itself.

Mr. Dellenback. I don't mean to trespass on my colleague's time, but you are saying, yes, you would take it; if they are accredited they are qualified?

Mr. Rossey. I would sir, and the reason I would do that is that I think these regional accrediting associations are most familiar with the institutions they are judging.

Mr. Quie. Let me get on to another question because I think I have received sufficient information on that point.

Yesterday Dr. Cheit indicated that the Federal institutional grants for the needs for the colleges and universities ought to be between $300 and $400 million; that the Federal Government ought to be sharing in a substantial part of it. You come to the conclusion that it ought to be between $450 and $600 million, so we seem to be in the same ballpark with both day's testimony. However, the assumption I received from Dr. Cheit is that you shouldn't expect the Federal Government to fulfill all that need even if it was $700 million. But you suggest that if the need is $450 to $600 million, that since higher education is in such tough shape we ought to give you a billion dollars. I think you pretty well justified your $450 to $600 million, but where did you get the billion?

Dr. Cosand. The computation that Cheit made was based on last year's experience. I think we would underscore the fact, and I know our own experience demonstrates that conditions have worsened and that we are in a far greater financial need than we were even a year ago. And that if a program is going into effect say next year, that the seriousness of our need is such that a billion dollars will be necessary.

I am a member of the Carnegie Commission and Earl Cheit has written for Carnegie. When we started our work 4 years ago, and then 3 years, and then 2 years, and last year, there has been a decided change in some of the attitudes and much is due to three things. The economy is one, inflation is one, and the third one is the change in the projected enrollment. The President's proposal for assistance to another million students is a change that was not there a year ago, so I think this is why you get this variance. But I would agree with the chairman as was spoken to earlier that this needs to be more specific than it is at the present time, and I think that is your point.

Mr. Quie. Yes, because you would expect that the State governments or somebody else might help in this cost. Let me also ask you then, since you have not been very definitive on the variance of cost of the lower division and the upper division, I think we pretty well recognize that it costs substantially more to train a person in a master's program or Ph. D. How much more does it cost to train an English major in the third and fourth year from the first and second?

Dr. Cosand. Since I am a community college man I cannot speak to that but I think Mr. Hester—do you want to speak?

Dr. Hester. The higher you go the more specialized the courses have to become. The smaller the classes become, because you have people with more limited interests than in the first 2 years when you can have big classes because you are giving general material. Upper division work does cost more.

STATEMENT OF EDGAR SHANNON, JR., PRESIDENT, UNIVERSITY OF VIRGINIA, CHARLOTTESVILLE, VA.

Dr. Shannon. I might add also even if you don't have any bigger classes you can do the elementary course in English with a person who doesn't have the full Ph. D. qualifications necessary for someone who is majoring.

Mr. Quie. I'd like to know how much more does it cost, 15 percent more, a hundred percent more?

Dr. Shannon. Fifty to a hundred percent I think.

Dr. Cosand. There are two variables. One is the salary cost which President Shannon is alluding to. The other is class size; in your sequence classes the class sizes go down.

Mr. Quie. I also notice in the smaller colleges there is a tendency to have a Ph. D. in the first and second years. I know in the public university in the first and second year they never see the professor. But I know some of the smaller colleges have fairly capable people on the first and second years and some of the community colleges have some pretty capable people that aren't paid low salaries either.

Dr. Kleckner. We feel it takes just as much ability, if not more.

Mr. Quie. So you can't speak for equality.

Dr. Kleckner. Well, I've heard——

Mr. Quie. I'd like to see us get something definitive.

Dr. Hayes. I think the whole group on the panel are associated in a general formula that would provide increased ratio for the 4-year upper class program as compared to the first 2 years. Also for the graduate work, and that there would be an increment for a small college in the first numbers of students.

I would point out that the small college and the 2-year colleges probably should not have large sized classes any more than the upper division college, and that in some colleges where finances are available they do not have large classes and this constitutes a rather great strength. Sometimes our considerations of quality really have to do with how much the institution is accomplishing with the resources that have heretofore been made available to it. So I have a feeling that with the kind of formula which this panel is recommending in its testimony we would be upgrading some of what we might call low quality institutions. I am greatly interested in the topic and will not take your time with it now but often times it is not remedial education that we are engaged in but it is providing a strong program for people who are good citizens and leaders in spite of the fact that they come from a culturally based disadvantage.

Mr. QUIE. May I make a three-sentence comment before you hit the gavel? That is, I like your proposal that you recommended as an alternative to my bill and it is the first anybody has offered in which I could see substantial merit. I can also see an advantage to increasing the amount in the third and fourth year as a reward for the college for doing a good job to keep students in college. But, we have to make some determination as to how much more you ought to pay for the second or third year, and so far you haven't given us any information to base that on. I'd like to have you do that.

Mrs. GREEN. May I echo those sentiments. I think we would need from the higher education community a justification for more funds for the upper division over the lower division.

Mr. DELLENBACK. May I ask one question along that particular line? Don't we also have interrelated with this question between graduate size the fact that community colleges oftentimes have a heavy vocational emphasis in those first several years? And, if you will, testimony on past bills has been that vocational—technical training may cost more than academic courses and so therefore if we are going to be dealing with lower division versus upper division maybe we should be putting more money into the first 2 years than into the third and fourth years. I don't mean to intrude on the question. I say that is part of the package of the justification between lower and upper division, and I would hope in your final report to us that you speak to that.

Mrs. GREEN. Dr. Cosand, I think it would be helpful for you to respond.

Dr. COSAND. The key and significance of a community college is that there are a good many 2-year institutions throughout the United States that still remain what they were before the Second World War. They are primarily institutions preparing students for transfer into 4-year colleges. However, increasingly, particularly in urban areas the community colleges are comprehensive and the percentage of students in the career programs is high. There are a lot of words used here. Some aren't acceptable but they are career programs, vocational or technical. These programs include on a percentage basis from 25 to 50 percent of the enrollment. In some cases more than 50 percent, well over 50 percent of the students in these 1- and 2-year career programs get some assistance from the vocational fund from the Federal Government. But it depends a great deal upon the particular State and upon the application; how much of these funds go to the high school and how much to the community college.

So there is no certainty here as to what assistance they may get but they do get some; in some cases up to 40 percent. But even 40 percent of the costs in certain instances is a far cry from the real cost. One example is in our particular district where we have some 300 student nurses. It costs over $70 a credit-hour to educate the nursing student. The average cost, including all of the courses, and, including that $70, is $19 a credit-hour. Now, this is what you are talking about. So if you have a broad career program with a strong nursing program, with a strong dental hygiene program, where the costs are about $55, where the engineering student cost is $45 a credit-hour and you include those and come up with an average of $19 you can see the comparison.

So, in answer to your question, yes, a comprehensive institution has a difficult time. The same thing is true in an urban area where the students who come in need assistance. They need additional help.

Mrs. GREEN. May I also add a note on this particular subject. It seems to me that if this subcommittee is really interested in developing a formula for institutional aid, we are not going to be able to include every single factor that everybody in the higher education community would like to have or we will, in my judgment, end up with nothing. And I would think that 4-year institutions could probably make a case too for their vocational programs. I think 4-year institutions could make a case for career programs, that they are in need of assistance. Then we could get in the cost of science courses versus English; the cost of foreign language laboratories in some schools.

Mr. QUIE. However, if they did, since the career programs tend to be terminal, wouldn't they then be making a case for the lower division receiving the same amount of money as the upper division? That is the only thing I am really concerned about.

Dr. COSAND. I think, Madam Chairman, your point is very well taken. In a 4-year college I would emphasize that in engineering, for example, the upper division is costly; and your point is very well taken.

Mrs. GREEN. President Branson, may I ask you to expand on your formula?

Mr. BRANSON. Yes.

Mrs. GREEN. And would you also bear in mind that title III is designed for developing institutions, and as far as I am concerned there ought to be more money in it than there is at the present time.

Mr. BRANSON. I think title III first came up—I think I sent you a copy in which I mentioned it was a $30 million program for a $500 million need, which of course is what we were looking at at that time. But I suggest a formula, for example, which says that any institution of which more than 10 percent of its students are from the zero to $3,000 income bracket would receive a Federal subsidy of say, $500 to $1,000; for students of a school with more than 20 percent would receive $750. A school with 30 percent would receive $1,000. A school with over 50 percent might receive $1,500. It would be the type of institutional aid which would put the money where it is needed by the institution to work up the specific program required to retain those students.

I think the point is it is a tragedy in higher education that we don't spend more money on the first year because that is where the dropout is. I have been visiting some of our major schools. All are very proud of how many black students they are enrolling but they tell me they don't graduate. They need more money in that first year in developing the institutional skill so they can carry on.

So I think, Madam Chairman, a formula which recognizes a school which does enroll a large number of students who are from low-income families and will give them greater assistance will perhaps be a more reasonable formula.

Mrs. **Green**. Are we perhaps talking about two different goals? I think that at this point at least, some of us on the committee see an institutional grant program which is certainly a departure from what the Congress has ever done before. We would see an institutional grant program, and I think it would be defended on the House floor, as an emergency measure to help institutions who are facing bankruptcy live through this time of crisis and that it would not be sufficiently large that inefficiency and other aspects of higher education that are crying for reform would feel that they were going to be perpetuated forever; in other words a permanent program.

I think what you are suggesting is more of a permanent program in terms of raising quality education, rather than going to the point of helping institutions to survive who may have to close their doors. Am I correct?

Mr. **Branson**. Yes. I think you are perfectly correct on that. My only reaction would be that I should like to see this question closed because they do have real fiscal problems. Now they should be looked at more closely because, for example, when I looked at Mr. Cheit's report, which I didn't look at carefully, I saw for example institutions there which are spending perhaps $7,000 or $10,000 per student and saying they are in desperate financial straits. I see other institutions that are doing a very good job whose expenditures are only about $3,000 per student.

A realistic view must be taken about such institutions. I would urge that you do keep those separate. A stopgap measure to aid institutions in serious financial need really gives an opportunity to a large number of American young people who do not have that opportunity now. I think you have seen the figures presented time and time again.

Mrs. **Green**. May I suggest that it is beyond the responsibility of the Congress and beyond, even if we wanted to do it, the possibility of providing aid that would bring about a level of all colleges in the United States so that everybody spends the same amount per student.

Mr. **Branson**. I don't think so.

Mrs. **Green**. May I ask one question on compensatory education. I think that I have not yet been persuaded that it is the responsibility of Congress.

Mr. **Dellenback**. I had a question, Madam Chairman.

Mrs. **Green**. Please do.

Mr. **Dellenback**. How would it be possible—may I ask any member of the panel—to build into this formula something which would stimulate one, change, and two, improvement; if improvement be different than change? What I am concerned about is that we have a near disastrous situation. Dr. Hester, you referred to the fact that the situation is worse this year than it was the year before. Well, I don't look for a radical about-turn next year or the year thereafter. You are going to be back to us next year with the next disaster, and then the next year after that.

We are talking about where do we go. How can we build a formula that is really going to go beyond 1 year for, one, change and two, improvement?

Dr. HESTER. I don't think anyone is talking about aid in such quantity. We are talking about emergency assistance. In most cases the amount of the deficit we are facing is a relatively small portion of the budget but it is a fatal portion. If it exists. So far as change is concerned, no group in the United States are more deeply concerned than the people in higher education.

We are all studying our institutions. We are all looking for ways in which to improve our efficiency, the quality of education, and the way to use our resources.

Mr. DELLENBACK. More drastically now than 5 years ago or 10 years ago.

Dr. HESTER. Yes, sir, there is much more dissatisfaction inside higher education.

Mr. DELLENBACK. You really think the pressure's on?

Dr. HESTER. They are greater internally than externally. It would seem far more consistent to allow the people who are in this profession to bring about this change than somehow to expect the Federal Government to bring it about. So I would suggest it is desirable to have the Federal Government conduct experiments that point the way toward desirable change and to encourage change wherever there are good ideas afoot. But I don't think in dealing with an emergency you can also at the same time accomplish what you are talking about. I do want to encourage you to believe that the institutions are deeply concerned and are doing everything they can, in the instances with which I am familiar, to find the proper courses to follow. Of course there is disagreement. This is a process we must resolve internally.

Mr. DELLENBACK. One of the things that worries me about this is that we would be potentially reaching for homogeneity. We want something other than that and I read you now as saying what you want is some emergency mouth-to-mouth resuscitation long enough to make the changes you are already dedicated to making.

Dr. HESTER. You said it better than I could.

Dr. COSAND. There are several consortiums of colleges and universities throughout the country that are working in areas of promoting change in teaching methodology. Our district is in one of these. There are 15 of us; within the last year three of the members have had to withdraw from this because of the squeeze on finances.

What I am saying is that when you get squeezed and squeezed financially, the thing you are talking about, change, if you will, research and development in teaching methodology, if you will, tend to go by the boards. There is an urgency here of not just keeping afloat but of doing the same thing that business and industry have to do and that is research and development in teaching.

Mr. DELLENBACK. I was unable to be at the hearing the other day. I was in another part of the country and talking to a representative of one institution, which is one of the high quality institutions, one of the members of your association. They were urging me to say it is wrong for us to go for this across the board. They urged that the whole formula be built on quality somehow and in this way break the bounds and stop reaching for the stars.

Dr. Hester. Could I speak to that?

Mr. Dellenback. These are words of mine incidentally.

Dr. Hester. We have gone through this experience in New York. New York State had a very large system of private education before the public system. The State was heavily dependent on the private institutions. Even now the private institutions carry half of the undergraduate work and about 80 percent of the graduate work. As the public developed it began competing and depressing it in a variety of ways. It was decided it would be a foolish thing to drive the private out and the State ought to help the private system to survive. But the debates that we got into about how to do it. Why keep alive some weak institution? Or why give money to Columbia? It is so rich. Why do this? It was roughly just this kind of formula that was worked out based on levels of education.

It was started with a great deal of misgiving in some quarters but we have lived with it 3 years and it does have a certain kind of rough justice. The people that get the most are the people who are doing the biggest job, bearing the largest share. The distribution of responsibility seems to be an equitable one. We are seeking some revisions in the formula but by and large it has worked. In any system of this kind you are going to find people objecting from one side or the other. We are talking about something that is not going to make any institution rich or allow any really weak institution to survive. And I suggest in the case of the black colleges there be a special effort to support them because they do suffer from built-in forms of economic discrimination which is not directly related to the specific emergencies to which this message is directed.

Mr. Dellenback. If I may, Madam Chairman, let me make one more comment then. I appreciate this chance to join in the questioning. I would hope that the institutions, and I speak to the college presidents and also to the associations on this, as you push for change will not of necessity equate change with more money in the future. Part of the change that is going to have to be brought about in the future is change which brings about economies instead of just saying we have x students and spend y dollars so if we have x students we will spend y dollars. Somehow we are going to have to combine these two things that I have talked about, improvement and change, and with a third factor of not moving ahead on the straight ratio that you are talking about now.

Dr. Hester. I think you will find a very deep awareness of that.

Mr. Quie. Does the chairlady yield?

Mrs. Green. Yes.

Mr. Quie. Has there been any change that brought about economy? All of it that I noticed cost more money.

Mr. Rossey. I jumped a little bit on that one. Yes, I think there are many ways in which there have been changes that brought about economies. For example, in some of the arts of teaching, of changed approaches in teaching, the elimination of some of what we now believe to be unnecessary programs and so on.

Maybe what happens isn't always for the best. However we do streamline some of the things we have been doing in the past. We almost find many more things that must be done. There are new social pressures, new technological pressures put upon us in all ways, and you folks are well aware of these. We are broadening our services and as we broaden, as we serve more people, it costs more money.

Mr. Quie. I notice that as a Member of Congress starting at $22,500, going up to $30,000, and now to $42,500, we are always needing. If you could get the Sergeant at Arms to talk you will find the people who are most broke are Congressmen. We had a substantial improvement but our wants become our needs, as it is with most people, and I wondered if that is the case here.

Dr. Kleckner. Perhaps what is happening here is we are trying to close the gap. It is fair to say we have done a much more careful analysis in higher education and we have a better knowledge of what we are doing and what our costs are and are trying to do management and budgeting in a much more careful and, if you will, scientific way than ever before.

But the economic or financial condition has forced us to establish priorities and so we are phasing out certain programs, bringing in new programs. But inasmuch as these are new programs like in the area of Afro studies, you see you have to build libraries around these new programs and this is where the cost sometimes comes in.

Mrs. Green. If my colleagues will indulge me in a 5-minute speech I would like to make one and then ask for comments. As I see the inadequacies of our programs and see that people still fall down between the cracks and cannot be helped, it seems to me if the Government breaks down it is because we take on too many responsibilities. The Congress takes on responsibilities and obligations on the basis that no one else either is doing it or no one else can do it quite as well as the Congress or the Federal Government. And that I think is the place where it is impossible for any single Member of Congress to exercise any oversight on the programs that fall within the jurisdiction of the committee on which that Member serves.

On this committee we deal with Office of Education programs—there are presently more than 125. Then I look at the executive branch and see what it's taken unto itself. We are trying to say how programs are going to be administered, through rules and regulations and guidelines as if conditions were the same in all 2,000 or 2,600 institutions of higher education and in all 20,000 or 25,000 school districts across the country. I know some of you may disagree, but as I have looked very closely at the Office of Education, I am absolutely persuaded that both Parkinson's law and the Peters principle are seen at work. By and large each and every department head is far more interested in empire-building and certainly not interested in presiding over the liquidation of that empire. As a result the best intentioned person either in the Congressional branch or in the Executive branch is limited in the amount of information or knowledge that that person has on how the programs are really working. And yet with this very limited knowledge we make judgments on national policy.

It seems to me, even with the most noble purposes, we have assumed too much to do anything well. And now my question is, is the same thing true with institutions of higher education? Let me read from a magazine article with which I am sure you will disagree, that was sent to me by the vice president of university relations in California.

> As the no doubt just, if cruel, punishment for having tried to be all things to all sectors of American society, the university has ended up ignominiously meaning little to anyone.
>
> As matters now stand in the university we are like a religious monastery insisting upon all the affluence of a freebooting capitalism; an aristocracy tormenting itself with the slogans of revolutionary democracy; a community of pacifists insistent upon riding off in all directions at once to battle the enemy; an enclave of intellectual autonomy that is yet privileged to remake the entire social order through profligate humanitarianism or calculated revolution. We declare ourselves an intellectual elite, fully entitled to aristocratic tenure of status, and at the same time the microcosm of economic, political, social and cultural activities that even the surrounding society often seems too small to contain. It is a lovely fantasy.

Skipping part of it then—

> What the university is about, what its unique roles and statuses alone fit it for, what is alone the source of public respect and confidence, and continuing support, is teaching and research in the learned disciples: teaching of a level that can be conducted only through an individual's continuing research; research of a scale that is combinable with continuing teaching. On this conception of the university alone have rested academic community and academic authority. Both of these will be retained only when the university regains its own identity.

That in a very short capsule is a factor which has been troubling me and I would like comments on it. I would specifically ask why this committee, and I am persuaded that we must go to institutional grants, but why should we weight it in favor of compensatory education? Is the university the institution which now should take unto itself the responsibility for compensatory education and ask the Congress to double the weighting factor, so they might accomplish this end?

Dr. Cheit and Dr. Allan Cartter yesterday I believe in their testimony showed that the average cost in State colleges was $2,280 for the education of an individual, the average cost, and that for compensatory education that should be increased 50 to 75 percent. So we are talking about if the university is going to now take unto itself the obligation for compensatory educaton and have open admission for kinds that can do fifth grade, or eighth grade, or 10th grade work, we are saying it is the national policy to finance this through the college at a cost of $3,500 or more when it seems it could be financed at a more reasonable sum in other institutions.

Dr. **Cosand.** Madam Chairman, this has been discussed by the Carnegie Commission at length and I think in its first report "Quality and Equality"; next, "Chance to Learn"; third, "The Open Door College," and last and perhaps more exciting than any was "Less Time and More Openings," change was one of the things we discussed at length. When the committee started all they were thinking about was finance. We added to this—you can't just start with finance unless you know function and structure—so we came back to function and structure. In a cooperative endeavor among the colleges, where does this compensatory education really take place and which institution can perhaps be best prepared to do the job?

There was, I think, complete consensus that the commuter college, if you will, was perhaps as well able to do this as any institution for lots of reasons. And when you talk about costs of say $3,500, I suppose the median cost in the commuter college is probably around $1,000 to $1,200 per student. So if you were to add to assistance a compensatory fee, and I think it needs to be there because the work is more difficult than teaching the traditional class, your cost might go up 50 percent perhaps to where it would be $1,500 to $1,800 per student.

For all institutions to be involved in compensatory education I think is subverting the functions of some institutions. What is the function of New York University, or what is the function of Miles College? Now maybe Miles College, and Herman Branson can speak to this, has a responsibility in compensatory education. I would think it would have but so also might those State colleges which are open door institutions, if you will, because that is their function. There is no other open door institution around and they are probably going to be involved in compensatory education. But for all 2,500 colleges and universities to be involved in this particular operation I think would be a problem. I am talking about functions of institutions.

Mrs. **Green**. Then you are not suggesting that if we have a formula that we include a weighted factor which would provide more funds for compensatory education accompanying each person who has an EOG, or work-study grant?

Dr. **Cosand**. Well, I am speaking on the basis that there are functions for different types of institutions and each institution should fulfill its functions. I am not saying the same functions apply to all institutions; compensatory education is not necessarily the responsibility of the University of California, or Berkeley, or UCLA.

Mrs. **Green**. Then we could not put it into a formula that would apply to 2,600 institutions?

Dr. **Cosand**. It would be an add-on I guess.

Mrs. **Green**. Could you identify the institutions that we'd give it to?

Dr. **Cosand**. I go back to the word function. If the university says this is one of their functions and they accept it as a function and they tool up to meet the function, then I think there needs to be this assistance.

Mr. **Quie**. It sounds like about 2,000 of the 2,600 would have that as a function.

Dr. **Cosand**. I doubt that.

Mr. **Quie**. How many? About 1,000 of them are junior colleges now.

Dr. **Cosand**. There are 1,070, but not all of those are institutions which do this kind of work. Many of them are selected institutions doing a free upper division work period. You have asked a very complicated question. I think it pertains to the function of the president of New York University.

Mrs. **Green**. I'd like to have you speak both on the narrow question of compensatory education and whether institutions have taken on so much they are responsible for the financial situation they are in today.

Dr. **Shannon**. Well, I will talk just on the compensatory part. It does seem to me that we would be in danger perhaps if we try to identify certain institutions as the only ones to provide opportunity across the board. For instance, I think there are universities that are not open door but still have persons who have some deficiency in their background and who with some compensatory aid can profit and go right on to graduation. So it seems to me it would be something of a mistake to limit this simply, say, to community colleges because we have experience in universities with persons doing this and making excellent progress and providing a real contribution to the total society. It seems to me that it could be built into a formula, and we ought to be careful before we abandon the idea.

Mrs. GREEN. Could I ask you, President Shannon, this committee has a responsibility over all education from preschool on up. Why should we be persuaded that we should help finance compensatory education at the college level when this can be done more cheaply at the high school level? If a student has a fifth-grade reading ability, why should he receive preferential treatment at the college level?

Dr. SHANNON. This would be fine, and I hope we will be able to do that in the long run. But right now we have got the emergency and we have got the lag. I wouldn't go so far as to make it extreme compensatory education as you cite, but there has been a certain lag in the opportunities, particularly, say, in language and in math for instance. These can be overcome, and people who probably would be bored and lost and even drop out of high school, if they have been through it already can move right on into the mainstream. It is the kind of thing State universities and land-grant colleges did for years in the past in essentially rural areas.

Mrs. GREEN. May I say that I am not being facetious when I say fifth grade. I have the report of a community college where the special group enrolled for compensatory education had an average fifth-grade ability level.

Dr. HESTER. I'd like to speak to that point. May I speak to the latter first though? There are a number of universities that are selective, which have deliberately sought out students from disadvantaged backgrounds who have the general capacity to do the work but are deficient because of the high school. These students are able to enter into the course work in most areas, but need special tutoring in math or English or French, because of their high school experience.

As President Branson said, in many institutions this has not been completely successful, but in many it has been. I take pride in the success of our own. The majority are getting through, are receiving assistance to get them into the full college program. This has been very costly. We have assumed that cost, which we perceive to be a social responsibility. I would think this does merit consideration in any form of support.

Let me come back to the article you read. There are many people in our profession who delight in being colorful writers, and exaggerating situations is a form of intellectual showing off. It has a certain ring of truth. You can characterize any institution; you could write a characterization of Congress which you could make into a strong, extreme, ridiculous charade.

The thing that I would like to point out is, if you start examining what a man like that has distorted, the university, you would probably say the university has gone into too much research. Well, the reason they have done that predominantly since the Second World War was in response to the Federal Government's request; that they had to take this on to strengthen——

Mrs. Green. Could I interrupt? Maybe this Congress to which you just referred was wrong in requesting the universities to undertake this and the universities should have said no.

Dr. Hester. We were asked to do it on the basis of patriotism, to catch up with the Russians, to catch up with Sputnik. But the universities are conscious of these distortions and have been very much aware of them in the last few years. Many of us advocate that research not directly related to teaching be transferred out.

But the idea that the university is now a meaningless institution is just crazy. The vast majority of faculty members have maintained this balance of teaching and research. In my experience you have the extremists. You have the grant man, the people who have sought to escape from teaching, and these individuals allow you to make these characterizations which are very colorful but far overblown as a description of the total process. Just as the small minority of radical students have come to symbolize students. But the vast majority of students, as you know, are very levelheaded and hard working and in college for a good purpose. This is also true of the faculty; and characterizations of this kind, while very amusing, are very damaging in presenting a true picture.

Mrs. Green. Then you completely reject the thesis that the university has taken on too much?

Dr. Hester. I think universities have taken on too much and recognize it, and in most instances the reasons have been responses to national emergencies, and as they can they are shutting those things out. Most of what has distorted the American university has been the response to a series of national emergencies starting with the Second World War. Now we are trying to work out a system and focus more clearly on our teaching and get rid of things we are as much conscious of as you.

Mr. Branson. I want to return to your first question which is most significant, and I'd like to put it in another way. If we think for example that there are young people in our society who have reached a certain age and go through certain formal programs, they end up at a certain place and are supposed to continue and find a way to jump. They must undertake from the so-called secondary school to go to something called a university.

If we think this is true, whose primary responsibility is it to take these young people, to diagnose their difficulties, and then to plan for them the type of program which would make them into contributing and responsible members of our society? It seems to me we should get away from all terms. If we find young people like this, if the institution admits them to whatever it is called, whether it is called a community college or anything else, we must do something about insuring the opportunity to develop their talents.

I, for example, cannot see the problem. We do this so intelligently in any other area. You take your car into the shop, for example. The man doesn't say this car is functioning on a such and such a level and therefore should not be brought here. He just has to do more with that car.

If our ultimate goal is to build up that trained intelligence which is so desperately needed, then of course the emphasis should be the other way around. How do we develop the effective means of doing that? That is the meaning I put into the Newman report, into the many, many excellent areas under title III. The ways and means of taking a 16, 17, 18, 19, 20 or 21 year old who has suffered cultural and social deprivation, whose motivation is faulty, sometimes even pernicious—what can we do in a reasonable period of time to turn that individual into a contributing responsible member of our society? And don't let us for example denigrate him; don't let us make it impossible for him to do this by bringing him in and stamping him saying you are deprived, or your race sets you off, you are special. No. He is just a human being who is looking for an opportunity and we have institutions which furnish that opportunity. We do it and no matter what we may say the amount of money involved is secondary.

Mrs. Green. I am going to recess for a couple of minutes. We have a group of distinguished lawyers with us whom we have promised 15 minutes. Then we will come back and continue our questioning.

Did you want to continue, President Branson?

Mr. Branson. No, thank you.

Mrs. Green. Mr. Rossey?

Mr. Rossey. May I just continue with President Branson's plea and attempt to entertain your specific question about the young person who is achieving, let's say, at a fifth or sixth grade level. As to why this cannot be done by return to high school, I think the answer is simply human dignity. I think the matter of a person reaching the age of 18 to 20 has to be in a different kind of situation than that of an adolescent.

The kind of hope which President Branson so eloquently referred to in terms of our whole institutional aid program, the differentiation of function should not, and I don't believe can be, incorporated into the general aid formula. I think this kind of situation here can be best taken care of through these open programs and services and can be an add-on to the basics of formula for which we apply. May I also comment on one other thing you talked about in your initial presentation, Madam Chairman, and this is this business of the amount of responsibility which the Congress and therefore the society assumes, and you are indicating that perhaps it should not. I guess maybe I would conclude also that perhaps it should not have to do it now.

I think part of the problem we have had is that we have allowed some people to be lost in the mainstream of human progress over the years. And now we are becoming more sensitive to the needs of other individuals than the affluent and the more fortunate by either birth or circumstances, and I think we are saying that as human beings we are beginning to see that we need to turn to ourselves and I know no place but society, therefore Congress, that can do this or has to help in other ways. I think this morning we have talked a good deal about State support, private support, and Federal support of one sort or another through the various philanthropic organizations or the various tax districts and structures, and that even this isn't enough. We are turning therefore to the Federal Government for some massive aid to help us do the job which we think we can do better all the time. There is no doubt that Parkinson's law is operating in some of these ventures, and all of us smiled in agreement that it was indeed occurring. I suspect this is one of the reasons we are talking so much about institutional aid.

Now to cut through some of this bureaucratic red tape that looks like a spider's web. I think we are going back to one of the things that made our Nation strong, that is individual responsibility and if I can transfer that to institutional responsibility, we ask you to give the institutions the responsibility for doing certain kinds of things and they may well be delegated in regional areas back to this quality group. If we ask a guy to run a quarter-mile race and then tie a rope to him, he can't win. Let's give this aid but not put so many restrictions on it. We have taken away an individual's responsibility, and once you do that he no longer performs well.

Mrs. GREEN. If I could make one comment. I understand you people to say that the reason the college should provide compensatory education is to give the individuals dignity. Others have given the same reason. It seems to me there is a fallacy in that line of reasoning. One, I think the people who have traditionally made policy for higher education are degree-oriented and it is a matter of prestige and dignity to them to see one degree piled upon another. I think this is the wrong path.

In recent years the Congress as well as the higher education community and the executive branch, have made the error of persuading a generation of parents and a generation of students that the only way to success and happiness is a college degree. I just find it very difficult to buy that particular philosophy. In fact, I think in instances that philosophy has done great harm. We have put people with fifth grade ability in a highly competitive academic setting in which they could not compete successfully and they knew it. This has resulted in frustration and bitterness and anger which in some instances has been worked out in acts of violence. If the reason for compensatory education being done at the college level is to give dignity, then I am one who favors a reversal of this policy. We need to emphasize other things.

Mr. ROSSEY. May I just respond?

I think we are indicating to you and the committee that we do represent a broad and comprehensive spectrum of services to young people and also say we recognize we have different kinds of functions. The mission of New York University, for example, is far different, and should be, from the mission of Westchester State College in Pennsylvania or from Lincoln University or from the University of Virginia, for many kinds of reasons and yet we have some similarities. My comment on the dignity was simply to say I don't think you can take a person who, for the reason Dr. Branson indicated, has not yet achieved a better education . . . I don't think you can take him out of a social scheme and put him into one that would tend to cast greater disparity upon him because then he has no hope at all. My own personal background has allowed me an opportunity to serve a regional school district that was providing many kinds of technical and occupational skills for young people. All of us, I am sure, are not pleading for degrees now, for the awarding of degrees. We are simply pleading I think, for the opportunity to serve those young people in higher education programs who ought to be in that kind of a program, and not necessarily academic programs alone.

I don't think any of us are saying we need to deal exclusively with high-level academic programs.

Mr. QUIE. Will you yield? Madam Chairman, I would like to ask this of Dr. Cosand because you have both the academic program and the terminal career. When you operate your career education program and you find that your graduates have some shortcomings in that career field, don't you adjust the curriculum to make certain that you are producing the kind of students that the employer wants?

Dr. Cosand. That is correct.

Mr. Quie. What kind of relationship do you have with the secondary schools when they aren't producing the kinds of students who can really assimilate the education in your community college? Are they as anxious to produce a product as you are anxious to produce a product for the employer? Are you working as hard with them as your employer with you?

Dr. Cosand. Well, I suppose the answer to your question is yes, I meet regularly with two groups of dentists that make up our district. We meet once a month; we talk to the respondents you are talking about. We try, let's put it that way. In every career program we have an advisor and so we are doing what you are talking about. And that is keeping us from turning out obsolescence, if you will. We meet with the school superintendents on the same basis. Our counselors in particular, I suppose, play a bigger role than I play because they are meeting with the students and there is a continuous interchange here of information. We try. I am not saying we succeeded; we tried.

Mr. Quie. Have you seen some results in the reduction of students who need compensatory help?

Dr. Cosand. Yes, I think so. And I think also of more importance, there has been an understanding on the part of the students. We have seen a decrease in the dropout of students because they see a hope now, whereas before they didn't see a hope. So we have had definite statements that students will now stay in high school.

Mr. Quie. I think that is where we need to look to see the progress. You mentioned that you have some students of that age who need compensatory education, but if the flow continued, you would think something was wrong.

Mrs. Green. Let me call on Mr. Hayes and Mr. Shannon.

Dr. Hayes. About 50 percent of the freshman students entering college are entering the community colleges which do have this type of alternative programs beyond high school that you are speaking of, and we would be greatly hopeful that these alternatives might be increased by State plan, by a program that would encourage the community college. I have just seen some figures brought out by the American Association of Junior Colleges from 71 institutions that provide some information in depth that indicates almost half of those students are part-time students. We do know there are about 1 million part-time students in America. This is an area of a service which is directly devoted to teaching. It is not so much devoted to some other aspects of higher education as some of us are, but I think there has been a kind of an emphasis on serving the additional millions of people in our communities who need to upgrade themselves personally and as citizens. I would certainly be interested at any time that it would be convenient or interesting to the committee to comment on the fact that a good deal of this personal and citizenship education is not just compensatory or remedial. We have examples, for instance, in our enrollment of students with an average income of $4,000 and less that over the course of the years this situation and the cultural disadvantage has been no barrier to leadership or citizenship, and that some 90 percent of the graduates have gone ahead. They are graduates of senior colleges and leaders in their particular area. There are in short many varieties of institutions, but the key, I think, is the responsiveness to the community, the working with advisory committees so that we do meet society's needs and personal needs.

Mrs. GREEN. Mr. Shannon?

Dr. SHANNON. I would hesitate and hate to leave the impression that we were simply—that this panel was simply talking about just being concerned about human dignity. We do have very fundamental educational concerns here. I think what we are trying to say is the opportunities should go all the way across the board for all to fulfill themselves as completely as possible. It seems to me if you have got a man with some disadvantage in his background that can be overcome and reasonably so, that he can compete and not be frustrated and not drop out, which I think we have some evidence we are doing—say going to a university and come out being a doctor or a lawyer or something which he couldn't do otherwise, I think it would be a great disservice for our society if we didn't make some effort to do this. And I know we have examples of people who a few years ago would simply have not got into the University of Virginia who, with a careful program, with a great deal of self-motivation and work by the persons themselves, have come through beautifully. They simply would have been lost to this experience otherwise. But this does entail additional cost. So we are interested in education. We are interested in dignity, too, but I would hate for you to have the conclusion we are just talking about dignity.

Mrs. GREEN. No. I would ask you now that the entire article from which I quoted be placed in the record. It was written by Mr. Robert A. Nisbet.

Robert Nisbet received a B.A. in 1936, an M.A. in 1937 and a Ph. D. in 1939, all at the University of California at Berkeley. He joined the Berkeley faculty in 1939 as an instructor and helped found the department of sociology there in 1946. In 1953 he moved to the University of California at Riverside as a professor of sociology. From 1953 to 1963 he was Dean of Arts and Sciences and Vice Chancellor. He was appointed a Guggenheim Fellow in 1963. Nisbet's books include the "Quest for Community," the "Sociological Tradition," and "Social Change and History."

Without any objection it will be made a part of the record.

(The article referred to follows:)

THE UNIVERSITY HAD BETTER MIND ITS OWN BUSINESS

(By Robert A. Nisbet*)

The American university is in an exceedingly precarious position. The luster of even the most historic distinguished of universities is fading rapidly. For the first time in the history of this country there is valid reason for wondering whether the university will survive. Alarmism may be the refuge of the timid, but any optimism at this time would be little more than euphoria. The university in America is in the most critical condition of its history.

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There are many reasons for this. Most of them arise directly from the university itself, especially from the profoundly dislocative changes during the past quarter century that have led to fragmentation of its authority in society and to near-dissolution of its internal dogma and community. No genuinely intellectual community can possibly exist save in terms of an aristocracy that consists of respect for the best ideas, scholars and teachers, and the proper ranking of these in relation to ideas, teachers and scholars of lesser worth. Nor can any genuinely intellectual community survive without a system of authority, a system made legitimate by its clearly perceived relation to the function or purpose around which community and aristocracy alike are built.

The student-faculty insurrections of the 1960s did not break down academic authority. It was the prior breakdown of authority that caused the insurrections. This breakdown began in the 1950s, the result of profound economic and social changes that disrupted the academic community and of a steadily rising internal politicization that fragmented traditional authority. In retrospect we can see that even if there had been no issues of Vietnam and of civil rights, no "malaise of student soul before technology," insurrections would surely have occurred in the 1960s. Everything we know about insurrectionary and delinquent behavior suggests that "reasons" can always be manufactured quickly by elites. What alone is sociologically crucial, however, is prior, extreme liberalization and democratization of traditional authority.

Were it not for the degradation of the academic community there would be little cause for apprehension at the present time. The university has been under assault from the outside at other times in its history in America. Generally these assaults originated in politically conservative sectors of society, in American business, and in the fundamentalist parts of American religion. The university was under severe assault from the Right during the 1930s. Widespread economic misery sharpened these attacks. But then the university had a solid, tough core of resistance, formed by faculty members, administrators, students and others who knew what the purpose of a university was, what it could rightly do.

There was a general, if usually unstated, awareness by scholars of the privileged position of the university in American society; I say this with no desire to idealize that university and academic community. There was an awareness that the price for being able to engage in dispassionate scholarship and rigorous, honest teaching was a fairly high one.

It was a kind of social contract. The academic community said in effect: if society will allow us the aristocratic pleasure of seeking knowledge for its own sake and then teaching this to our students, we will stay as far as possible out of politics, out of economic enterprise and, generally, out of the areas of society where partisan feelings are endemic and where passionate moralism is of the essence. And, allowing for occasional lapses, the social order generally agreed. The price was paid. To our shame it was the university that broke the contract beginning shortly after World War II.

Our major weakness in the university at the moment is the nearly total lack of a sense of what the business of the university is, what its mission should be, what its distinctive contribution is to society. People will accept or put up with the variety of things the university does today just so long as there is some distinctive, motivating function that will seem uniquely important to its members, and also to society in general. Mere *number* of activities will not save the university from continuing degradation and eventual extinction.

What is to be the university's future, assuming that there will be a future for the university after the present time of troubles has ended? Is it to be, as so many today announce, the capstone of the vast research establishment in the nation? This seems highly unlikely. Already there are dozens, even hundreds of nonacademic organizations in existence, private and public, organized for the specific purpose of research and unhindered by any of the built-in liabilities along this line of the historic university. Is it to be superhumanitarian to society: dedicated at one and the same time to solving directly the ills of agriculture, labor, business, the urban complex, the ghetto, as well as foreign policy? The university's successes in such direct application of its resources in so many sectors of society at once have been far from notable. Is it to be benign therapist to the middle-class spring pains of youth and to youth's search for identity? After two decades of this life-adjustment type of education, especially in the liberal arts, youth on the campus would appear to be in worse position than it was before the rage of life adjustment began. Is it to be patron of all the arts?

The best of the artists—today as in the times of Mozart, Beethoven, Marlowe and Shakespeare—flourish in different contexts from those of academic curriculum and faculty. Is it to be the loyal revolutionary opposition, keeper of the moral conscience? Forget it.

I suggest that the university's most feasible function, all things considered, is essentially what it has been for nearly a millennium now: *a setting for scholarly and scientific imagination continuously engaged in the joint labor of teaching and research in the learned disciplines.*

No doubt such a conception will seem archaic, off the main line of history, even reactionary to many of those who hold other conceptions. But quite apart from the demonstrable infeasibility of these, why should the conception of the university as a setting for ideas, as a setting for both the discovery and the teaching of knowledge, seem any more archaic today than it did three or four decades ago? What, in a civilized society, could possibly be wrong with—or stagnant, archaic or antiquarian about—the vision of an enclave in the social order whose principal purpose is to work creatively and critically with ideas through scholarship and teaching?

Let us assume that the ideal of a community of ideas, undergirded by the primary functions of teaching and scholarship, is a worthy one for the university—probably the only worthy one. What then must be done to reestablish this academic community, to make it once again an evocative and creative as we know it to have been at other times in its long history? I suggest the following:

1. *Repudiation of historicism.* This is vital, for already the air is full of proposals said to be rooted in the "clearly developing character of the contemporary university." No mistake can be greater than basing either proposal or analysis upon some imagined trajectory of development. The university's participation in politics, large-scale research, and humanitarianism is particularly pertinent here. Each of these involvements has a large number of advocates to whom it is "inevitable" or "inexorable." Failure to hook on to the locomotive of history results in being condemned to archaism, in being reactionary or nostalgic.

And of all dangers confronting the American university today the greatest is the assumption that some indwelling pattern of development exists and that planning for the university must be in accord with this pattern. Given this habit of mind, certain consequences follow. One sees the individual walking through university halls and saying: "This is traditional and must go; this is modern and must be lived with no matter how ugly; this is early future and must be built upon." The things found in a university are thus declared not simply good and bad, but inevitable or modern, on the one hand and, on the other, traditional or archaic. How preposterous!

One must indeed begin with existing realities. And clearly it is as fatuous to plan around something traditional because it is traditional as it is to plan around some figment of the imagination deemed to be the inevitable future. The first and indispensable step then in reform of the university is to abandon historicism. The sole objective of planning should be simply the highest possible combination of the desirable and the feasible.

2. *The restoration of authority.* Nothing else can be achieved until the university can create again a system of recognized authority such as it had until a decade or two ago. There was never anything perfect or puncture-proof in this authority. Universities are ever the scene of periodic eruptions of one kind or other. But the flouting of authority as supreme objective, the collapse of authority that we have seen for nearly 10 years, is clearly insupportable from any point of view.

The first stage of this rehabilitation of legitimate authority lies in freeing the campus administration of the veto powers of faculty and students. During the past quarter of a century we have seen, as the result of such veto powers, the degradation of, first, department chairman, then dean, then president.

For a long time this was rationalized in terms of faculty participation in the university's system of authority. Granted, a good university is inconceivable apart from a substantial measure of reliance upon faculty judgment in those areas where it is uniquely informed and therefore vital. But faculty cannot create or run a university, and no great university has ever been established in this country without the leadership that flowed from strong administrators, particularly presidents.

It is not merely that Harvard, Berkeley, Chicago, Cornell and other universities became distinguished under the leadership of strong presidents such as Charles William Eliot, Benjamin Ide Wheeler, William Rainey Harper, and

Andrew Dickson White; it is that they succeeded in remaining great for long periods only as the result of this leadership. No administration can become effective if its every act is under the veto power of faculty committees.

There will be nothing easy in this restoration of authority to presidents and deans. On a score of grounds such restoration will be attacked as invasion of faculty and student democracy. But apart from such restoration I do not see how the university can do what it is supposed to do academically or how it can hope for the privileged enclave-like status that is the real structure of its freedom in society.

The faculty has the most to learn here. The wanton spreading of the view that the faculty must concern itself with every aspect of administrative life on the campus has led teachers and scholars into areas of governance and responsibility for which they are largely unfitted by temperament and by principal interest. One cannot devote himself effectively to teaching and scholarship if he must be forever sniffing out possible derelictions of those whose job it is to supervise plant and facilities, the social and moral behavior of students, athletics, relationships with trustees and alumni. Add to these the incessant rounds of faculty and committee meetings, not to mention conferences with students—whose capacity to be listened to is one of the great natural forces in the universe—and, all too clearly, the life of reason is made insecure at best.

Today the faculty's authority—in even those areas most vital to its and the university's existence—is at an all-time ebb, the result of its own mindless broadening into areas in which it has no qualification or competence.

Much nonsense is being spoken these days about student rights in governing the university. One even finds spokesmen for the view that students should sit on governing boards, faculty councils, the committees concerned with appointment and promotion of faculty. All this is offered to a group that by its very nature is transitory in the university community. Students have a collective right to see their scholarly interests treated seriously; a right to make their views known to faculty and administration; a right to be spared the childhood-perpetuating restrictions and indignities that used to be heaped upon them *in loco parentis;* a right to speak out (even if not a divine right to be listened to incessantly): a right to participate as they see fit in activities outside the university. Above all, students have the right—I would say duty—to evaluate and assess as best they can, as effectively as they can, the quality of the teaching they are getting.

But it is utter nonsense to suppose that students should participate at high and crucial levels in the formal government of the university.

Without restoration of internal authority there is no possibility of arresting present encroachments upon the autonomy of the university by legislature, governor, Federal agency and police. These encroachments are becoming as plain in the private universities as in the public ones. The chief consequence of breakdown of authority within an institution is invariably the rise of power, whether from within or outside. If members of the university faculty are unwilling to make a major distinction between the authority of president, dean or department chairman on one hand, and the power of the legislature on the other, they are sure to get ever greater amounts of the latter.

3. *A clearing of the scene.* On a rough guess I should think at least 75 percent of all existing institutes, centers, bureaus and projects in the academic sphere of the university should be phased out. There is no need to examine the toll taken by the higher capitalism in the university, or the results of the university's ill-advised effort to become adjunct government and super-humanitarian for American society. To these we must add the multitudinous faculty consultantships and other forms of moonlighting that augment high academic salaries. Despite a self-justifying myth to the contrary, these are rarely useful to scholarship and are almost always prejudicial to teaching.

It is not research, large or small, that should be phased out of the university. God forbid. Research, along with teaching, is what universities are all about. But it must be research-in-teaching and teaching-in-research of a scale that does not constantly threaten to dwarf the rest of the university. I am well aware that there is much research today that simply cannot be done except in vast, highly organized, bureaucratized centers. Very good. But let such research be done where it can be done more efficiently and without damage to academic community. And let those whose passions are directed toward this kind of research be free to move from the university.

Make no mistake about the powerful resistance that will be mobilized immediately against this clearing of the scene: by trustees, faculty and graduate students, not to mention those in the great foundations, the Federal Government and others whose vast funds have made the present jungle of institutes and projects possible. The cries of status pain, of income pain, of power pain will be awful to hear. It is inconceivable that the work of clearing the scene of the many forms of organized distraction could be done by any one university alone. My guess is that, given the very deep roots and very wide spread these organizations and activities have at the present time, only concerned action by the country's top 20 or 30 universities would bear substantial result. If this be conspiracy. . . .

4. *The depoliticization of the university.* The university today—private and public—is suffused by politics. The number of state and Federal laws and administrative regulations affecting university operation is at an all-time high. The campus has become a microcosm of the national and international scene in the number and intensity of ideological issues it has assimulated during the past two decades. And, finally, no one can miss the extent to which "participatory democracy" in university affairs has created a setting of instant and chronic politics that increasingly makes serious teaching and study impossible.

I have suggested that the earlier autonomy of the university in American society, its fairly substantial freedom to engage in teaching and research, was the consequence of a kind of social contract. Naturally, this social contract was never a perfect one. Threats to academic freedom existed from time to time. Both faculty and students participated in political, religious and other activities outside the university, though very moderately by present standards.

This did not imply that American professors were political eunuchs. Their isolation from politics has been grossly exaggerated by a present faculty generation that mistakes citizenship for unremitting political activism and that has shown itself willing to carry on this activism in the classroom, the learned-society meeting, and even in the pages of supposedly scholarly journals. From early times a sizeable proportion of university faculty members and students engaged in politics and in humanitarian work. Still this social contract existed, and within it the university flourished.

Is it possible to resume such a contract today? Is depoliticization of the university possible? It is very hard to see much possibility of this. Once politicization becomes deeply ingrained, once Federal and state governments are in the habit of penetrating any cultural or social sanctuary, once members of an organization begin to define their very constitutional status as citizens in terms of incessant political activism, and once the normal hierarchy of the academic community has been seriously weakened by spreading habits of participatory democracy, the likelihood of arresting these tendencies is not very great.

5. *The elevation of the function of teaching.* I should stress that I am referring to the *function* of teaching; that is, the activity itself. I do not refer to the largely futile efforts to persuade *individuals*—through annual awards, occasional salary increases, homilies and such—that teaching is important when the entire weight of evidence in the contemporary university is that teaching is *not* important.

The function of teaching was degraded when the function of project- or grant- or institute-based research became the only genuinely valued function; when it became possible to win renown, high salary, and power in the university without more than a token appearance in the classroom and seminar. Of what avail is it today solemnly to remind young instructors of their "teaching obligations"; of what use is it for students to assess faculty performances? Of what incentive is it to offer annual teaching awards, when the evidence is so clear that through research alone one moves into the upper levels of success. Today the conspicuous abrogation of distinguished faculty members from the historic priority of teaching is without any question the chief source of both the bitterness among the students and the spreading cynicism about the purpose of the university among the nonacademic public.

How do we elevate the function of teaching to the point where it is at least as high as it was until World War II? Here again we are involved in special interests, accumulated privileges and luxuries, as well as status values that make any thought of an easy answer absurd.

The first and most fundamental approach lies in what I called the clearing of the scene. There cannot be any honoring of teaching so long as the whole, vast structure of research-dominated institutes and centers towers above all else in the university. Add to this structure the diverse range of consulting, entrepreneurial and humanitarian activities carried on by individual faculty members. Until this thick overgrowth is cleared it is difficult to see how the function of teaching can again become an honored one on the American campus.

The second requirement is the elevation once again of the department—*in which teaching and research are joined indissolubly*. For, as recent history has demonstrated, once they are separated, invidious distinction is inevitable. The worst possible approach to the matter is the establishment of special schools or colleges in which "teaching, not research, will be made the sole function." Good students want to be where the intellectual action is. They do not want to be shunted off into areas that within a short time begin to resemble educationists' experiments at one extreme and an asylum for the retarded at the other.

The third requirement is restoration of the kind of academic contract with faculty members that once was universal—one in which a full load of teaching is required irrespective of the research or professional status of the faculty member, a load that cannot be escaped through the easy outlets of joint appointments in institutes and centers, or through titles of "research professor" or through term or annual leaves of absence that so often make a mockery of allegedly continuing professorships.

It may be—it will be—said that the effect of these measures can only be to diminish seriously the amount of research done in the university. I deny it. There is not a shred of evidence to support the view that this generation of scholars and scientists in the university is more creative, more productive in the valid sense of the term, than was the pre-World War II generation. At that time not all the research eminence imaginable freed a senior scholar from a load of teaching that was commonly three courses in the humanities and social sciences and two courses in the laboratory disciplines.

One can live in an academic environment in which individual teaching takes its chances through the more or less normal processes of the free market. In an immense structure of tariffs, quotas and monopolies in favor of research alone, teaching becomes degraded to the point where not all the individual awards, salary bonuses and special asylums imaginable can be of any help.

6. *A finite conception of the university.* This may well be the most difficult of all the requirements to meet, for somehow a nearly Faustian view of the university and its potential benefactions has developed in the American mind, academic and nonacademic. It is difficult to see how academic policy can operate any more effectively than foreign policy without some constraining sense of limits. It is no more possible for the university to serve all individual needs and tastes than it is possible for it to serve all social, economic and political needs in society.

The sound democratic conviction that all persons should have reasonably equal access to the university has unfortunately become converted in recent decades to the dangerous conviction that the university must be incessantly reshaped to meet all possible interests and needs. This conviction is dangerous because of the inherent impossibility of ever fulfilling it.

If the limits of the university are to be as wide as those of modern society and culture then there is really no need for the university at all. The training necessary to fit individuals to jobs can be carried on within the precincts of occupation, profession or social interest. So can the requisite search for knowledge that is necessary for technological survival.

It is simply impossible for the university to be anything and at the same time to be all things; to meet any personal needs and at the same time to meet all imaginable personal-psychological-social-cultural needs.

Can these requirements for the rehabilitation of the university be met during the next few years? Can any set of requirements designed to restore the university to the status it once had as an enclave for teaching and scholarship in the humanities and the sciences succeed? I hope so. Who could know?

Whether the university survives, how long it can survive—will be allowed to survive—in contemporary culture as the last vestige of medieval social organization, is impossible to foretell. I know only that while no society can do without knowledge and its diffusion to necessary groups and individuals—and this is, of course, notably the case in our technological age—it would be fatuous to assume that the university is indispensable. Great societies have existed before without universities in them; great sectors of contemporary society already show capacities for doing many of the things that only a few decades ago were done in the university alone.

There is no inherent, self-sustaining, irresistible majesty in the university; only the majesty that is conferred upon the university by a social order that, for whatever reason, has come to believe that there is something distinctive, something precious, something profoundly important in the university that is to be found nowhere else in society—not in factory, not in foundation, not in Government agency, not in the media, not in the church, not in mental-health clinic, nor anywhere else. And when this belief is allowed to erode, majesty erodes with it.

The greatness that is Harvard and the glory that is Berkeley can perish in but a few years, their presently celebrated degrees the objects of ridicule, their halls untenanted by any of the illustrious, their mission degraded to the caring, the feeding and the policing of the young. Not even the young, though, will long choose to stay at Harvard and Berkeley once the word gets around that history has passed the universities by, that what the universities have to offer is no longer valued deeply by either those inside the university or those outside. History is filled with degrees, titles, ranks and diplomas that were once thought to be important but that became in due time—after their functional importance had disappeared—mere curiosities or relics.

For more than two decades now the leaders of the American university have done their best to make the university "relevant" to society, nation and world—through a calculated development of growths within the university for which the words "thicket" and "jungle" are at this moment scarcely extreme. And these same leaders—faculty and administrative—have somehow wound up having made the university seem more *irrelevant* at the present moment that it has ever seemed during the nearly 10 centuries of its existence in the West. "Who needs it?" is a question one may confidently expect to hear in rising frequency from, not merely the students of the Left who shout it now, but from a great many members of American society. As the no doubt just, if cruel, punishment for having tried to be all things to all sectors of American society, the university has ended up ignominiously meaning little to anyone.

As matters now stand in the university we are like a religious monastery insisting upon all the affluence of a free-booting capitalism; an aristocracy tormenting itself with the slogans of revolutionary democracy; a community of pacifists insistent upon riding off in all directions at once to battle the enemy; an enclave of intellectual autonomy that is yet privileged to remake the entire social order through profligate humanitarianism or calculated revolution. We declare ourselves an intellectual elite, fully entitled to aristocratic tenure of status, and at the same time the microcosm of economic, political, social and cultural activities that even the surrounding society often seems too small to contain. It is a lovely fantasy. So, too, must the feudal knight have once dreamed as he rode into the face of infantry and gunpowder. So, almost certainly, dreamed the guild master of the 16th Century who was never more resplendent in his attire than just before his execution.

If it be said that sheer volume of the capital represented by university plant and equipment should be sufficient to maintain the university permanently in American society, I can only point to the equal volume of capital—relatively speaking—once expended on pyramids, coliseums and cathedrals in the West, now gathering places for tourists and other sightseers. If it be said that surely *some* use will have to be found for the laboratories, classrooms, dormitories, faculty clubs and student unions, I can only say that "some" use is not precisely what we are concerned with at the present time in discussions of the future of the American university. After all, there is no reason why all of these could not be used effectively, and at low-cost purchase, by business corporations, penological systems, the armed forces and professional athletic teams. There is no easily seen end to the possibilities of use of plant and equipment in the contemporary university. They are not, however, what a university, or any form of cultural and intellectual community, is about.

What the university is about, what its unique roles and statuses alone fit it for, what is alone the source of public respect and confidence, and continuing support, is *teaching and research in the learned disciplines:* teaching of a level that can be conducted only through an individual's continuing research; research of a scale that is combinable with continuing teaching. On this conception of the university alone have rested academic community and academic authority. Both of these will be regained only when the university regains its own identity.

Mrs. GREEN. If you gentlemen would be willing then, we would come back this afternoon at 1:30.

May I now ask Mr. McCarthy to present his statement. I would ask unanimous consent that an article prepared by John Howard, the president of Rockford College, representing the American Association of Presidents of Independent Colleges and Universities, be placed in the record at this point.

(The article referred to follows:)

CONSEQUENCES OF THE TAX REFORM ACT OF 1969

(By John A. Howard)

The impetus behind the Tax Reform Act seems to have been a startled awareness on the part of the Congress that some wealthy individuals were paying little or no taxes, and that some foundations were abusing the privileges of foundations and disregarding the purposes for which foundations were granted beneficial tax status. The rush to support tax reform was a moral thrust to eliminate individual tax inequities and foundation improprieties.

The critical point which some members of the Congress failed to recognize was that over a period of decades every change in the tax laws which affected philanthropy increased the incentives for individuals and/or corporations and/or foundations to be more generous in legitimate charitable endeavors. As a result of the increasing philanthropic incentives provided by the cumulative tax law acts, both public and private service agencies were developed and expanded which depended upon philanthropic support. It is not a question of whether this was right or wrong; this growth in dependence upon philanthropy is a simple historical fact.

The impact upon philanthropy of the Tax Reform Act of 1969 was immediately discouraging, but the long range effect which this Act will have upon educational charitable and religious agencies that are dependent upon philanthropy has not yet begun to be reckoned. Beyond question, it will be devastating. As far as higher education is concerned, the timing could not have been worse. This legislative action coincided with both the peak of violent and destructive radical campus activity, with its consequent public loss of confidence in higher education, and also with a national economic pinch. The financial crisis for the academic community which has resulted from these concurrent circumstances has been documented in headlines by almost every major agency of higher education. Notable among these are the report of the Carnegie Commission, the report entitled "The Red and the Black" of the American Association of Colleges, and the first public statement of President-elect Bok of Harvard University.

What needs to be recognized now is that, even if the economy recovers and the public confidence in higher education is restored as campus violence and destruction diminishes, the negative consequences of the Tax Reform Act will go on snowballing and offset these hoped-for improvements.

Among the gravest errors of the Tax Reform Act, in our judgment, are certain provisions which affect individual and corporate foundations: the imposition of the 4% excise on net investment income, the fixed provisions for income payout regardless of conditions which regulate pay-in, and taxation imposed upon 50% of the capital gains on contributions to the foundation, in particular.

Already a number of foundations have been terminated as a result of this legislation, and countless others are in the process or contemplating it. In one letter to our Association, Attorney Beahl T. Perrine of Cedar Rapids, Iowa, says:

"I happen to be personally associated with three corporate charitable trust funds, which have been in operation for many years. The restrictions under the new Act on private foundations and the taxes and sanctions in the event of certain prohibited activities have led me to advise the corporations with such charitable trust funds to make no further contributions to them and to gradually phase them out and terminate the trusts in accordance with the provisions of the Act.

"This action will result in corporations considering charitable contributions to be made by each from year to year to confine them to the permissible 5% limit and also, instead of making firm commitments for a number of years in advance on pledges, they will be in the form of letters of intent and payable only if business conditions permit.

"There are hundreds of corporations with private foundations, and even private foundations created by individuals, that are faced with these same problems and will no doubt take similar action with the result that in the future, private schools, hospitals and other qualified public charities are going to have a difficult time in raising operating funds, together with funds for capital improvements, etc."

In another letter from Joseph Marland, president of Marland One-Way Clutch of La Grange, Illinois, who terminated his foundation, he says:

"When Congress decided to tax the income of private foundations which were established as, in our case, for help to hospitals, schools or churches, we decided to give this some careful thinking, and tried to reason why this kind of penalty should be imposed on our foundation when the government itself is going far beyond our support to hospitals and schools. This discouraging word from the government through such penalizing legislation could only have been thought up by some plan to punish or discourage private foundations.

"We made some inquiries as to why this was done. We learned that a number of foundations had misused money, as in the notorious case of one of the very large ones (Ford Foundation), which distributed $135,000 to former co-workers of the late Sen. Robert Kennedy, to be used for their mourning solace while they toured around the world for the loss of their leader. We learned it would be difficult and expensive to prosecute violators of foundation privileges where funds were so misplaced or misdirected as direct or partial political payoffs.

"I do not know how the passage of penalizing legislation on all foundation income is going to help prevent similar misappropriation of foundation funds to political or political-social purposes.

"It does appear to me that if the Justice Department or the Internal Revenue Service would prosecute private foundation by-law violators, and publicize any such convictions, it would be a far more effective approach to discourage similar violations than the penalizing attacks on all private foundations could possibly have."

In a letter from David H. Morgan, chairman of the Dow Chemical Company Contributions Committee for Education, he says:

"I should like to commend the Association on the stand it has taken relative to the 1969 tax law which was designed, as I understand it, to close certain 'loopholes'.

"About fourteen years ago I left the presidency of Texas A&M University to establish a department of college relations in The Dow Chemical Company. Through the years, we established the program shown by the enclosed 1969 report, a copy which you may have received earlier. The change in the tax law from 'fair market value' to cost has drastically reduced this program as is clearly shown by your institution. In 1969 you received fair market value of $4,194 of Dow products. This year you received nothing, according to the figures we are compiling for the 1970 report. When 'fair market value' which was the lowest advertised price for the material and not the higher price which you would have to pay, was changed to 'cost', the 'cost' then became the equivalent of dollars and was added to the dollar budget, whereas in the past I have kept the two figures separate.

"Best wishes for success in restoring incentive, rather than 'closing loopholes', to educational contributions."

The oppressive and terminal impact upon foundations is further illustrated by the fact that one major national Lutheran organization has a public campaign to encourage those foundations which are closing down, to contribute their capital to its causes. I believe the Baltimore Jewish Community Charitable Fund is engaged in a similar endeavor.

While it is true that widespread liquidation of foundations will cause a temporary bonanza for some fortunate charitable agencies, thereafter we can anticipate eternal night or, at least, eternal twilight in the philanthropic field. It is not only the loss of potential gift revenue from foundations which are closed out, but it is also the discouragement to the formation of new foundations which must concern us.

In addition to the consequences which the Tax Reform Act has had upon foundations, individual philanthropy has also suffered. The elimination of the bargain sale and the prohibition of gifts of inventories (as illustrated by the Dow Chemical letter above) have been harmful to legitimate philanthropy.

We ask the Congress to review the entire matter of tax laws as they relate to philanthropy not solely through the single lens of the allegations of inequitable tax assessment, but with the wider view of the role played by philanthropy in sustaining thousands of public and private educational, religious, cultural and service agencies which are critically important to the conduct and the improvement of our society.

A closely related matter which has been grievously misunderstood and misrepresented to the public is the role of wealthy individuals in the sustenance of service agencies. It is not our role to argue the tax policies which permit the accumulation of great personal wealth—that is another issue—but if significant monies are legally accumulated by individuals, then we urge the recognition by the Congress that the donation of large individual gifts to agencies declared tax-exempt by the Congress should not be cause for public censure but, on the contrary, cause for public rejoicing. There is scarcely a college or university, church, hospital, symphony, YMCA or other major charitable operation which is not the beneficiary of one or more generous individual donors. Many of their facilities would not have been built or could not have been sustained without the large gifts.

The great fuss about a small number of millionaires who paid little or no taxes completely ignored the possibility that these people may have had small tax bills *only* because of their great generosity to charitable agencies which served the public. If it was the intent of the Congress to diminish or phase out the very large individual gifts which have very often meant the difference between survival or failure of medical, educational, cultural and service agencies, then the Congress needs to have a plan for replacing that critical large gift revenue or anticipate the constriction and/or demise of many charitable services.

In this regard, it has come to our attention that there is some impetus to change the inheritance tax structure so that an estate would pay capital gains tax and then inheritance tax, even if the estate or portions of it were bequeathed to charitable institutions. The consequences of such action would, in our judgment, gravely imperil the whole structure of charitable services of the nation.

If the Congress has the long-range intention of bringing about the ultimate elimination of private educational, health and cultural services, then the citizens ought to be informed of that intent and its revolutionary consequences.

Finally, returning to our specific concern about higher education, we invite the Congress to consider a tax credit for gifts to colleges and universities as an immediate supplementary, emergency means of financial transfusion for the ailing institutions of higher learning. It is a technique which is economical, flexible, swift and equally valuable to small and large, public and private, church-related and independent colleges and universities. A fuller statement of this proposal is attached.

This plea is registered in behalf of the American Association of Presidents of Independent Colleges and Universities (which has a membership of 174 presidents), in fulfillment of formal action taken by our Association at its annual meeting last December.

TAX CREDITS FOR GIFTS—A TECHNIQUE FOR FINANCING HIGHER EDUCATION

The federal funds which are distributed to colleges and universities through a great variety of programs of grants for specific purposes have many disadvantages including the following:

1. The overhead for governmental administration of all these separate programs is very costly as is the college overhead in applying for, record-keeping and reporting on these individual grants.
2. The government, rather than the individual college, decides what aspects of education are to receive how much money at any given time.
3. The small colleges and the less prestigious universities cannot hold their own in lobbying for grants, with the result that the rich and strong get richer and stronger.
4. The thorny question of the separation of church and state has resulted in channeling funds into expense categories other than the main educational program since expenditures for buildings, scholarships, research, etc., do not generally involve the religious question.

The tax credit for gifts is a technique for transferring funds directly from the taxpayer to the service agencies which Congress has decided to support. Suppose

Congress set a gift tax credit ceiling at $100. Every taxpayer, if he chose to do so, could write two checks totaling the amount of his tax bill, one for $100 to be sent to the college of his choice, public or private, and the other for the balance of his tax bill to the Director of Internal Revenue.

There are many advantages to this technique of educational support, including:

1. Each college could use all such revenue according to its own judgment of the priorities of its present needs.
2. There is almost no overhead cost to the government or to the college in this technique of financing. The taxpayer receives a receipt for his $100 gift to the college and that receipt is attached to his tax form. No huge federal bureaucracy is required to administer all the grant programs.
3. The church-state problem is avoided.
4. The small college can hold its own, turning to its alumni and its neighbors for tax credit gifts.
5. The technique is flexible—Congress can raise or lower the tax credit ceiling according to its budget situation and its assessment of current educational needs.
6. The individual taxpayers would decide which colleges are worthy of their support. The institutions would have to earn their gifts by the effectiveness of their educational services.
7. Tax credit gifts would tend to be greatest in the population centers. Citizens would be inclined to support local institutions, if for no other reason than to keep the funds in the local economy. This would encourage the development of new institutions, public and private, in population centers.
8. The disadvantaged colleges will have an opportunity to get a larger than average share of the gift tax revenues. For a modest expenditure they can place an ad in distant newspapers explaining their circumstances and the clientele they serve, and state they need the tax credit gifts more than do the local colleges and universities, and some of the citizens will agree.
9. The colleges, rather than the government, would decide how much of their revenues go into research and how much into other services.

RESOLUTION

Passed at the annual meeting of the American Association of Presidents of Independent Colleges and Universities on December 6, 1970

Whereas voluntary agencies and private colleges have been vital in meeting our society's needs; and

Whereas private colleges as well as state colleges have derived essential funding from individual and corporate philanthropy; and

Whereas the Congress was fully advised of the desperate need of philanthropic contributions by service agencies such as private colleges; and

Whereas the tax reform act has discouraged certain deferred gifts and even fostered the voluntary liquidation of some smaller foundations: Therefore

Resolved, AAPICU records its conviction that Congress erred in enacting those portions of the Act of 1969 which discourage legitimate private philanthropy; be it further

Resolved, That this Association call upon the United States Congress to move swiftly and effectively to repair the damage it has done to institutions of higher learning and other service agencies of this country, by enacting new legislation to restore the fullest possible encouragement to the philanthropic function; and be it further

Resolved, That this Association call upon the United States Congress to achieve this end in part by the enactment of a program of corporate and individual tax credit granted for gifts to legitimate institutions of higher learning, similar to the legislation enacted by the State of Michigan; and be it further

Resolved, That this resolution be given the widest publicity possible and that a copy be sent to every member of Congress and to other appropriate officers of the Federal Government.

Mrs. GREEN. Is Mr. McCarthy still here? Would you want to make your statement before we adjourn?

STATEMENT OF JOHN T. McCARTHY, ASSISTANT TO PRESIDENT AT ROCKFORD COLLEGE, ROCKFORD, ILL., ACTING EXECUTIVE DIRECTOR OF PRESIDENTS OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. McCarthy. Thank you, Madam Chairman. I wanted to say that while I work at Rockford College, Rockford, Ill., I am the director of the American Association of Independent Colleges and Universities. I wanted to say that we are in agreement with most of the things in the original statements that have been filed. I take exception to two sentences for the record. One says no institution charges all the students the full cost of their instructions. This is not true. Several do that. I have been studying them and hope by September 1972 that our college will do that. Second, in the back, on page 34 where I would point out that this panel, meaning your panel, representing the great majority of institutions of higher education recommends continuing both Federal grants and direct loans, and for the record I would like to submit that there are several institutions that are not in favor of this, but we are not trying to tell other people how to do it.

In my own State of Illinois in Springfield today there is a hearing in our State legislature to give State funds to State colleges. Several colleges that I work with are not in favor of that but they are not here testifying against it. So for the record I state that the question Congressman Brademas asked about the Yale plan and the plan from Ohio deserves some further study. It should not be dismissed by saying the burden should not be put on today's students. I have a great deal of confidence in students and most of them know they are tomorrow's taxpayers and they might be interested in this kind of a plan if it were properly presented to them. But beyond that I would suggest those colleges of the 2,500 in America today that are not in trouble probably are not because they are not involved with Federal grants or Federal aid up to now and therefore they were not in a position that required retrenching when you folks in Congress retrenched.

And finally I want to say that some of us who have studied the plan do not feel that dollars are the heart of the problem of higher education. It may be that dollars are the result of a much more deep problem of which you, Madam Chairman, covered briefly in your remarks, so on behalf of the presidents who belong, there are 174 who belong, should you care to do something. For the record, I would like to have the whole statement as you said, and specifically this paragraph that is returning to our specific concern about higher education. We invite the Congress to consider tax credits for gifts to colleges and universities as immediate supplementary means for the ailing institutions. It is a technique which is economical and swift to small and large, public and private colleges and universities. A statement of the plan has now been introduced as H.R. 4905 by Congressman Anderson and 42 other Congressmen. It has been referred to the Ways and Means Committee. We met with some of you yesterday and I submit that might be a more equitable and emergency means of financing the problem. The American Council on Education and others have published figures for years to show how the "Federal melon" is divided between institutions of higher learning and it seems anybody who wants to examine that will realize this plan would put part of the revenue-sharing concept of Mr. Nixon back in the minds of the citizens for direct aid to colleges and there would be no overhead.

Thank you very much.

Mrs. GREEN. Thank you, Mr. McCarthy.

Other full statements will be made a part of the record and I do want you to know, Mr. McCarthy, that I am sympathetic to the tax credit plan, not as an alternative but as one means of providing help. If we recognize the national interest in allowing income tax deductions I see no reason why the tax credit would not fit in with this and provide an incentive perhaps to the small individual. I do not favor the corporations being included in that, but the small individual would contribute perhaps $10 or $25 to the alma mater of his choice or the college located in his area.

I also say, Mr. McCarthy, to you and to the people you represent, that this committee is giving a great deal of consideration to the PAYE plan at Yale. Last year I introduced Neal Smith's proposal, which he suggested to this committee 10 years ago, that would establish a National Students Loan Bank. Under its provisions the bank would be repaid by each student repaying the loan on the basis of a percentage of his income over a long period of time. So this committee is not ignoring either one of these problems. We are seriously giving them our consideration.

Now, if I may ask the panel representing legal education to come to the table. Congressman Dellenback will be back immediately. Included in this panel are Professor Conard, University of Michigan Law School, the president of the Association of American Law Schools; Dean Adrian Fisher, who is no stranger to those of us who serve in the Congress, from Georgetown University Law Center, representing the American Bar Association; the Honorable Edward F. Bell, circuit judge of the circuit court of Wayne County, Mich., president of the National Bar Association; Prof. Morris L. Cohen, Biddle law librarian, University of Pennsylvania Law School, president of the American Association of Law Libraries, and William Pincus of New York City, representing the Council on Legal Education for Professional Responsibility. And I obviously have included one who isn't here. So, professor, are you to be the moderator?

STATEMENT OF ALFORD F. CONARD, PROFESSOR, UNIVERSITY OF MICHIGAN LAW SCHOOL, ANN ARBOR, MICH.

Mr. CONARD. Yes, Madam Chairman. We appreciate very much your hearing us at this time even at the sacrifice of part of your lunch hour.

Judge Edward F. Bell of the National Bar Association regrets very much that he was detained in court in Wayne County this morning and was not able to attend.

We are in general sympathy with the purposes of the Higher Education Act, and various amendments which are for the support of higher education. We appear separately before you because we think that legal education presents some special problems. One of these is that education bills have frequently classified their support in general in favor of undergraduate education, in favor of Ph. D. candidates and we do not fall within either of those groups. We deal with professional education for law. The health-science professions which are, in that regard, in similar shape, generally have separate financial support through health measures and consequently do not present the problems we do. For this reason we wish to be represented before you and we have some programs which are very much the same as others and some which are special and which we want to have especially recognized.

We are interested, as are other higher institutions of higher education, in continued support for students. Loan support is very valuable and we are pleased with the prospects of the continuance. We would like to emphasize that loan support alone is not enough and that grant support is very necessary, particularly for professional education.

Mrs. GREEN. Could I interrupt? You are speaking of student loans and grants or institutional grants?

Mr. CONARD. We are not making any representations with regard to universities. I am speaking of grants for student aid. For a student who has for example borrowed money through 4 years of undergraduate education, 3 years of professional education are truly forbidding. This is particularly a problem for the unrepresented, the underrepresented fractions in American society. That is to say those who are underrepresented in higher education generally and in the professions.

Mrs. GREEN. Are you referring to women?

Mr. CONARD. I do include women. Women are, I think, among the most seriously underrepresented. Indeed the proportion of women in the bar in relation to the portion of women in the population is far more underrepresented, is far more severe than for any of the racial and ethnic groups for which we are concerned, and this is a tremendous waste of manpower, if I may use the term in that form, and I think of opportunity because the legal profession is in many ways a particularly suitable one for women, I think, to enter.

The further education in the legal profession has a peculiar importance in today's social crisis which is, we want to take a general view of the problems of race, the problems of poverty, the problems of equality, the problems of environment. We see there are problems in justice and it is particularly important here that we have representations of all groups in the machinery of justice and that it is through racial and ethnic groups, and through that very lovely majority of the American population which is women.

We are very happy to say that we have made rapid progress in the law schools with the admission of women to law schools. In fact, we have approximately multiplied by about five the number of women in law school within the last 10 years. In the number of the racial and ethnic minorities the rate of increase is even greater there. We do not have accurate figures on them because we have not kept records, we do not label people in our statistics as black. But I am happy to say it has never been regarded offensive to identify them as women because we are more able to measure our progress.

Mrs. GREEN. You say you have increased fivefold the number of women who have been admitted to law schools. After they have graduated, what kind of a record is there in terms of the women on law faculties?

Mr. Conard. In law faculties we have a very definite job to do in getting increased representation, Madam Chairman, and I am rather happy to say that at the meeting of the Association of American Law Schools in December we passed a resolution amending our articles of association, and the initial resolution called for more equal treatment of women and the final resolution called for affirmative action for increases in the teaching profession as well as in the bar.

Mrs. Green. I ask this because the Organization of Women Law Students has appeared before this subcommittee and has given some figures that persuaded me they are the one group that is very underrepresented in law schools, both in admission and on faculties.

Mr. Conard. You deal on a matter which I deal on very emphatically, Madam Chairman. I would like to say that we have not done as well as we should in that line. I hope very much that we will do better. It is a complicated problem because there has been a shortage of women with practical experience but that indeed is because they weren't getting equal opportunity there. I think we have to break this circle and I think we must. I think that the resolution, the change in our articles at the last annual meeting is a symptom that we are about to get underway.

Now, another area in which we are very eager to continue the financial support for legal education is in the area of facilities. The shortage of facilities for legal education has been very marked with the increase of people trying to get into law school. We have been able in recent years to increase the number of persons in law schools so that in fact in the last year we have a significant increase in the number of people enrolled in law schools. But a survey by the American Bar Association showed there are virtually no places for the approximately 45-percent increase in people who are taking the prelaw school aptitude examination who presumably want to get into law school. This is of course entirely understandable and not at all abnormal. We are now getting in the professional schools a wave of postwar babies that hit the colleges about 4 years ago. It has risen tremendously; therefore, we need additional facilities and we need them very badly. One of the earlier Higher Education Acts had building funds in it which were made available to law schools. These were not made available during the last year and is contributing to our crisis.

Finally I want to mention the importance of developing innovation and development in the curriculum and in our method of teaching. I have put emphasis simply on one of those programs and that is to the clinical program. This is necessary to make legal education really relevant to people, to get it out of the realm of laws on books and principles of law and to train our people how to deal with individuals and with their problems.

This again is made more necessary by the increased concern of legal education and justice today with problems of the poor and problems of minorities. As long as they were trained for Wall Street jobs they could get quite an apprenticeship in the Wall Street firms. They could be trained by other lawyers. The human problems are not nearly so important as we are training people to improve the condition of the poor. The clinical part of our education has become very much more essential, it is a relatively expensive kind of education. Title XI of the Higher Education Act has an authorization for this and we urgently hope that this will be continued. In knowing your pressure of time I will stop the summary here and invite my colleague, Dean Fisher, to stress some points which are of particular interest.

(Professor Cohen's prepared statement follows:)

STATEMENT OF MORRIS L. COHEN, PRESIDENT, AMERICAN ASSOCIATION OF LAW LIBRARIES

I make this statement on behalf of the American Association of Law Libraries, whose 1400 members include virtually all of the law school libraries in the United States. I would like to describe briefly the continuing needs of academic law libraries today and the importance of federal support for their maintenance and improvement as essential facilities for the proper administration of justice, for effective legal education, for the support of research in all areas of our legal system, and for the conduct of legal scholarship generally. As a non-profit educational association of libraries and individuals interested in law librarianship, we support the statement of the Association of American Law Schools, but, by virtue of our own professional concerns, are particularly anxious to emphasize the problems of law school libraries today.

Last year. Dr. William B. Stern, my predecessor as President of this Association, described in detail the serious financial plight of law school libraries and provided supporting statistical data to illustrate our difficult situation. He noted that we were not receiving the support necessary to acquire materials, provide staff and offer the services required by our users. Since that description is part of the record of this Subcommittee's 1970 hearings on the Higher Education Amendments of 1969, it is not necessary for me to restate that case. I would, however, like to emphasize two aspects of our problem which we feel require your attention.

The first relates to the ineffectiveness of prior governmental assistance to higher education and libraries generally in relieving the financial restrictions which affect law school libraries of all sizes. College and university libraries have gained significantly from federal legislation; the nation's medical and scientific libraries have been aided by special legislation designed to meet *their* needs; elementary and secondary school libraries and public libraries have also received wide legislative support in recent years. However, law school libraries have received almost no benefit from this legislation or from federal aid to higher education generally. The general language of prior statutes did not indicate their applicability to law school libraries and, as a consequence, very little money has filtered down to us under that legislation.

Although we support the proposed legislation for higher education, improvements should be made to extend their benefits to law school libraries. While grants are provided for college and university libraries, specific mention should be made of law school libraries as being among the intended beneficiaries of those funds, or at least reference made to the subject-oriented academic libraries or professional school libraries, which would authorize the assistance we need.

Where grants are provided for research in library science and technology, for the training of librarians, or for the creation of library networks, express reference should be made to the availability of such aid to the needs of law librarianship, or at least to those categories of special libraries or graduate school libraries, as would assure access to those funds for law school libraries. The administrators of university libraries and the agencies charged with the administration of this legislation have been reluctant to make funds available to law school libraries. Specific expression of your legislative intent that we be included in these programs has proven necessary to insure our inclusion within the compass of this legislation.

The second aspect of our concern here involves the inability of the law library profession to make effective use of the scientific innovations and new technology being developed for the storage and retrieval of information. Federally supported foundations and agencies, and private industry, have financed the research and ~~development of new methods and~~ equipment for handling ~~*scientific information.*~~ Great strides are being made and librarianship now seems to be on the threshold of a new technological revolution.

Computerization, miniaturization and the establishment of library networks, offer us new means of coping with the explosion of published materials. These innovations will not eliminate the need for continued support in developing collections and providing the staff necessary to maintain and improve our libraries. However, they are essential to assure effective access to technical literatures which are growing at an uncontrollable rate. Without these new capabilities the proper functioning of our society and economy would be endangered—and our legal system impaired.

Despite these opportunities, our overburdened law libraries still function with bibliographic tools and methods devised at the end of the 19th century. Although quite sophisticated in their conception, these digests, codes and citators are becoming increasingly cumbersome in handling the tremendous volume of today's judicial decisions, statutes and administrative promulgations. While the processes of legal research suffer under increasingly heavy burdens, we are not able to carry out the very expensive experimentation and development required to adapt the new technology to our needs.

President Nixon in his address to the National Conference on the Judiciary in Williamsburg on March 11 recognized this need in these words:

". . . we should take advantage of many technical advances such as electronic information retrieval, to expedite the result in both new and traditional areas of law."

Recent efforts in Ohio and Pittsburgh and a few other centers indicate that access to legal materials can be greatly improved by computerized storage and searching. A recent conference on automation in law libraries revealed both an exciting potential for computers in legal research and a frustrating inability to move ahead because of lack of funds for study and development. Microfacsimiles are already being used in many law libraries to make available otherwise rare or unobtainable materials, but technical improvements are badly needed in this area also. A national meeting last fall on library networks offered a plan for linking all law libraries in the country into a functional system of shared facilities to improve access to available resources, but here again the support necessary to institute this badly needed program prevents action on it. We therefore urge you to make specific reference to law libraries in legislation for library assistance and aid to higher education. Past experience indicates that without such express applications we will be unable to derive significant benefit from that legislation.

The just functioning of our legal system requires ready access to all sources of law and to the materials of other disciplines relevant to the application of that law. America's law libraries are its only effective resources for that purpose and the libraries of our law schools bear the preponderant burden of that responsibility. Law school libraries serve the expanding educational and research needs of legal education, while at the same time supporting the bench and bar, the legislatures, government officials, community groups and the public at large, with collections and services in law and related fields.

Law libraries are unusual in having to provide not only a broad collection from the law of the past, but also the latest developments from our legislatures, courts and administrative agencies. In addition, increasing need is also being felt for foreign, comparative and international legal materials. Although these works are often expensive and quite difficult to obtain, they are essential for a fuller understanding of our legal problems as well as our relations with the rest of the world. The compounded demands for materials from the past and the present, from foreign countries as well as our own jurisdictions, and from all branches of government which contribute to the development of the law, require new sources of financing for law libraries. Neither state funds nor private support from alumni groups, foundations and the universities themselves, have been effective in meeting these needs.

While supporting the proposed legislation on higher education, we therefore urge its improvement by making its provisions specifically applicable to law libraries.

STATEMENT OF DEAN ADRIAN FISHER, GEORGETOWN UNIVERSITY LAW CENTER, WASHINGTON, D.C.

Mr. FISHER. Madam, with your permission I will merely submit the statement of the American Bar Association for the record.

Mrs. GREEN. Without any objection it will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT OF ASSOCIATION OF AMERICAN LAW SCHOOLS

NOTE.—The position on behalf of legal education was presented to the House Special Education Subcommittee on April 15, 1970, and appears in Part 2 of the printed Hearings on H.R. 16098 and related bills (91st Cong., 2nd. Sess.), the "Higher Education Amendments of 1969", at pages 1059–1116. A formal statement was also filed with the Senate Subcommittee on Education, and appears in Part 1 of the printed hearings on S. 3474 and related bills (91st Cong., 2nd. Sess.), the "Higher Education Amendments of 1970", at pages 858–894.

I. BACKGROUND

The Association of American Law Schools renews the urgent plea for federal support of clinical teaching in law schools and other specific programs of benefit to legal education that it made during last year's hearings held on legislation for higher education. Our plea remains essentially the same as that made last year, and we reiterate in summary form that plea.

We wish particularly to stress our belief that sound and effective legal education is vital to the success of our legal system. The lawyers of the nation, numbering about 330,000, have a crucial role in preserving liberty, in maintaining equality before the law and equality of opportunity, and in providing the framework necessary for ordered progress in all aspects of our national life. A legal profession worthy of its responsibility is crucial to sustaining and reaffirming the validity of the democratic process of this nation. Our law schools, through their teaching function, are the wellsprings for the profession. They can also, and should be, increasingly important centers of research into the workings of justice in the community and sources of public understanding of the proper role of law, legal institutions and processes. This function of the law schools and of the legal scholars in their faculties can, if adequately supported, make a truly significant contribution to the solution of the problems of society in the nation and even beyond its borders. We seek the help of this Committee to obtain the Federal support needed if the law schools are to fulfill their function.

As we pointed out in our testimony in the spring of 1970, the dimensions of legal education have been increasing steadily and steeply. Enrollment in all law schools in this country increased from about 49,000 students in 1962 to over 72,000 in 1969. The growing desire of college students to attend law schools has suddenly taken a phenomenal turn, with enrollment in 1970 rising to about 86,000 students. The number of students taking the law school admission test during this "test year" appears to have increased over the previous year by about 45%, meaning that approximately 110,000 college students will have taken the test to help determine if they have been equipped by their prior training for the rigorous demands of modern law schools.

A survey conducted by the American Bar Association a few months ago revealed a threatened shortage of space for any more law students, despite the growing number of applicants. The universities have relied heavily in the past years on the Higher Education Facilities Act for law school buildings, and Title II of the Higher Education Act of 1965, for assistance to law school libraries. In view of the growing number of students applying for admission, assistance of this kind from the Federal Government will be urgently needed in the next few years, and we emphasize the importance of continuing these programs.

The increase in the number of law students, and of applicants for admission, from minority groups, spurred by the encouragement of the law schools and the legal profession, is also striking. In our testimony last spring, we commented in some detail on the very great increase among not only black law students, but among Mexican-American and American-Indian students. The trend this year has continued at a strong forward pace, although at this time final enrollment figures are not available.

Another concern of the law schools has been improving the opportunities of women in the profession. We reported in our testimony last spring that the number of women law students had increased from about 1,800 in 1962 to nearly 5,000 in 1969. The number is now over 7,000 women law students, an increase of almost 50% from the previous years, while the total law school student body was increasing about 20%. The members of the Association of American Law Schools are hopeful that this promising increase in the number of women law students will be accompanied by improved opportunities for women lawyers. The recently adopted amendment to the Articles of Association now makes it clear that "equality of opportunity in legal education without discrimination or segregation" on the ground of sex is of parallel concern with equality of opportunity regardless of race, color, religion, or national origin. Further, at the annual meeting in December of 1970 the membership of the Association amended the Association policy to discourage discrimination in law school employment and in career placement practices at law schools.

II. FINANCIAL ASSISTANCE FOR STUDENTS

Law students generally have received less financial aid from all sources than any other group of graduate or professional students. It is often the student who is not from a minority or educationally disadvantaged group, but who is from a financially secure but salaried family, who is frequently placed in a position of gravest financial disadvantage, because even available forms of financial aid rely on family means tests. Such tests are commonly irrelevant for law and other graduate students who often are, in fact, emancipated, and even heads of families themselves. Furthermore, reliance on loans exclusively is generally not helpful to students at this level of education because so many of them have already built up a staggering loan obligation through their undergraduate years.

For the present, however, a major concern of the legal profession and the law schools is making legal education available to students from minority and disadvantaged backgrounds. Particularly notable in this area has been the work of the Council on Legal Education Opportunity (CLEO), organized by the leading national bar associations and by the associations representing the law schools. In addition to the summer training institutes provided through the Council's program, law students assisted by these programs have received stipend assistance through their law school years. The law schools themselves have granted tuition scholarships for these students and the private bar has contributed heavily in various places to supplement these programs. The tuition scholarships alone, it is estimated, averaging approximately $1,000 per student per year, have already aggregated over $1,000,000. During the three years after the establishment of CLEO in February of 1968, its particular program was financed primarily by private foundations and the research and development funds of the Office of Economic Opportunity. However, thereafter the supporting foundations indicated that they could no longer continue providing the necessary finances. We have no question, however, that support for a program of this nature is now an appropriate responsibility of the Department of Health, Education, and Welfare. We are anxious to be sure that the Department is given the appropriate statutory authority to provide stipend assistance to disadvantaged students in schools of law regardless of which bill is ultimately passed.

This can be accomplished by consolidating existing special services programs in a new provision in the Higher Education Act of 1965, providing for the identification of low-income students with "academic potential," preparing them for post-secondary education (which would include legal education) and making available special services for such students in institutions of higher education. Such a program would have to include disadvantaged law students encompassed by the CLEO program and other programs having a similar purpose. The Administration's bills, H.R. 5191 and S. 1123, contains some provisions along these lines, in Section 461, but we are concerned that this new Section limits stipend assistance to $30.00 per month unless there are "exceptional cases as determined by the Commissioner." We support these provisions in principle, as they would allow for the development of guidelines permitting administrative flexibility in providing essential support. Such flexibility would be necessary because $30.00, or any comparably small amount, per month is patently inadequate for disadvantaged students in law and other graduate study.

III. EXPERIMENTATION AND INNOVATION IN TEACHING METHODS AND CURRICULUM

There has always been some experimentation and innovation in legal education. One of the most striking recent developments in teaching methods in the law schools has been teaching law through the clinical method. Supported by funds from The Ford Foundation, a large number of schools have exposed students to experiences with real "clients" outside the classroom, but under the close supervision of experienced instructors. In 1968, the Congress recognized the value of experimentation of this kind, and, to this end, enacted Title XI of the Higher Education Act, authorizing appropriations for clinical teaching in law schools. Unfortunately, funds for this program have never been appropriated. We hope there will be appropriations under Title XI for the next fiscal year, or that a new authorizing provision, and appropriation, will be enacted this year.

We are encouraged that such an authorization would be continued by H.R. 32, introduced by Congressman Perkins, and by S. 659, introduced by Senator Pell. We are distressed that H.R. 5191, drafted by the Administration, actually repeals Title XI. We understand, of course, that the repealer provision in Title VI of that bill was inserted with the intention of transferring the basic purposes of that innovative and experimental program, along with a number of other Titles from the 1968 Amendments, to the proposed National Foundation for Higher Education, described in H.R. 5192 and S. 1062. Of course, we hope that this important program in legal education will be considered worthy of Congressional support.

Another program of particular interest in legal education is that part of the Educational Professions Development program that authorizes the funding of clinics aimed at the improvement of teaching. Such a clinic has been funded by the Department of H.E.W. to permit a number of younger law teachers to participate in a program expounding new and traditional teaching methods.

Mr. Fisher. In view of the shortness of time, it supports the Association of American Law Schools, emphasizes the increasing demands for legal education, part of that is the increasing number of applications, part of it is the sense that law is where the action is, that this is where social problems should be worked out in the hearing rooms and in the courts. Specifically the bar association deals with the problem of clinical legal education in which it emphasizes the same points made by the Association of American Law Schools: the problem of minority and disadvantaged students which runs directly into student and financial aid. My experience as a dean of one law school has been the limit on that. It is no longer educational, it is economic. So the two problems really interconnect quite early. The problem is essentially one of an increase in demand and the bar association emphasizes that point as well as the problem of library development and the emphasis on international and comparative law, which I find particularly useful. That is all, Madam Chairman.

Mrs. Green. Let me ask a particular question there in terms of the aid. I asked the American Bankers Association for some figures and I am wondering how far we really should go in this committee in making student aid available. The administration bill suggests that the ceiling be increased to $17,500. Do you support that in terms of total loans that a student can borrow?

Mr. Fisher. This is over the law school period?

Mrs. Green. The total.

Mr. Fisher. I would certainly support that much. Whether or not I would support more than that I don't know. I can't speak for the bar association on that. But personally I would point out that some developments in higher education financial aid may make even the $17,500 maximum seem low. I am particularly referring to deferred tuition plans such as that recently commenced by Yale. If these plans are arranged so that the Federal guarantee is utilized for tuition loans throughout a student's undergraduate education, I can visualize a student coming to law school with an accumulated indebtedness of $10,000 to $12,000. And this doesn't take into account living expenses. So a 3- or 4-year graduate education could push the amount of federally guaranteed loan money required by a given student for his higher education above $17,500. While this may seem an enormous amount, it is important to remember that the deferred tuition plans may contain loan forgiveness features depending on how the student fares and on what he does after he gets out of school.

Mrs. GREEN. The part that bothers me is that I requested the ABA for the amount of obligation that we are asking a student to assume. Your profession itself has through the years, at least I understand, taken the position that 18- to 21-year-olds should not be held liable for such contracts; they have not reached the maturity or judgment.

Mr. FISHER. Normally that is the case.

Mrs. GREEN. Then we are encouraging them when they start college to sign contracts and to undertake tremendous obligations. The ABA tells me that if a student borrowed up to the maximum of $17,500 and if we extended the repayment period as the administration bill requests from 10 to 20 years, and if the interest were 7 percent, which isn't likely, it is probably going to be higher, that that student is going—and if we have the 3-year military repayments period included in that—if we have the 3 years added to that, that student has really assumed an obligation of $49,000. If the 3 years is not included, he has assumed $42,000, almost $43,000. Do you think it really is good for this Congress to adopt or to put into law something which says to kids it is a matter of national policy, we urge you to borrow and continue right through without stopping to work, without perhaps earning your own way, to assume that kind of an obligation? Do you think it is right?

I'm sorry, ABA is American Bankers Association.

Mr. FISHER. I understand that, Madam Chairman. Well, there are two ways in looking at it, Madam Chairman. I would hope we could get more grant aid; I prefer grant aid. A young man entering a career, if he is prepared for a particular career, if he can only get it by borrowing he may perhaps be better off than not getting it at all.

Mrs. GREEN. What about working? I have on my right, I believe, a person who worked his way entirely through law school.

Mr. HOGAN. If I may interrupt here, I worked by waiting on tables at the Episcopal College at which Dean Fisher was one of the people who ate.

Mr. FISHER. Well, I don't know, frankly, Madam Chairman. I went in hock myself, I borrowed and did not work on the theory that I was investing in my grade. In fact I am not at all sure that is effective. Of the students we have at the Georgetown Law Center now, we have currently 1,027 day students, 430 night students—I'm sure all those night students work. I taught as an adjunct professor for 6 years and I taught at night. We consider the night school an important part. On the other hand it is sometimes rather harder to come up and be in the night school group because it is a little bit of a harder road to run. I have nothing but respect for people that work and send themselves through school. My own decision to borrow was made because I was in a sense investing in a grade.

Mrs. GREEN. But, Dean Fisher, if I may interrupt, this committee has never had given to it any study which would indicate that the people who are working their way through school get lower grades than the people who are not working their way through school. The very limited information and studies which we have had available show precisely the opposite: that the people who work their way through by and large receive higher grades, maintain higher academic standards than the ones who do not.

Mr. FISHER. Well, Madam Chairman, I would not want to pick a favorite child in the class, the night school and day school. We think they are both equal partners, they are twins and we love them both. On the other hand, some additional aid might be helpful—not to all the economically disadvantaged group. We do have a small number of nonbudget scholarships. We make available priority for minority groups in the day time and I have not wanted to take the position that it was the night school for the minority groups. That would not be putting them in the position of second-class citizens because we don't consider the night school second-class. In other words, we don't consider the existence of that facility supersedes the need both on the loan and under the grant aid.

Mrs. GREEN. I raised these questions for two reasons. I think both the Newman and Carnegie Commission reports have raised again the question of whether it is really desirable for a young person to go to college immediately after high school graduation or whether that young person should work first. They have raised the question of whether or not it is desirable to have continuous college experience or whether it is better to go to college a couple of years, and then stay out and work a couple of years.

The second question which I raise is related. I am pretty reluctant to see this committee raise that maximum amount to $17,500 because I think we are going to have tremendous defaults. I think we are going to run into serious questions later on about that kind of an obligation that a student is going to assume when he is 18, 21, or 22.

Mr. FISHER. Well, Madam Chairman, if you would permit me to analyze the ABA, I would like to supply—I'm not good at mathematics off the top of my head—if I could supply a statement for the record there, I would be glad to.

Mrs. GREEN. We would be very pleased and we would make it a part of the record.

Mr. Pincus?

STATEMENT OF WILLIAM PINCUS, ESQ., COUNCIL ON LEGAL EDUCATIONAL FOR PROFESSIONAL RESPONSIBILITY, INC., NEW YORK, N.Y.

Mr. PINCUS. I am William Pincus, the president of the Council on Legal Education for Professional Responsibility and as such I believe the principal spokesman for what is called clinical legal education. I am very anxious that that not be lost in the shuffle and that you have some perspective about the appearance of the law schools in this regard, in contrast to all of higher education. I was sitting here this morning and listening to the very perceptive points and questions by you and your colleagues in trying to get the information you need about higher education and the difficulties you have.

We have all been in this business a long time and I think we know that all of us have faith and hope in higher education, but it is very difficult to have the same in educators as distinguished from education. But I would like to emphasize that in regard to clinical legal education in the law schools we are not coming here and only say to you please give us money for what we are already doing alone, although the schools need help. In regard to the law schools and clinical legal education and title XI which has never been funded, but I know you are fully familiar with it, the law schools are saying that they would like to do something else, something better, something more for everybody. There are over 80,000 law students in the United States today and we are saying that rather than just say to you give us more money to keep them there for 3 years just as we have up to now, we are saying we would like to do something like what happens in medical education. Can you visualize what would happen to medical service in the United States if the medical students and interns and residents were removed. It would be a disaster. You wouldn't have any. Well, apart from a better education for law students, which I think is obvious, the fact is that law schools are here saying that they want to take their students particularly in their third year and put them out doing clinical work under their supervision to where they can help the courts which are in terrible shape, to where they can help all parts of the administration of justice. I think this merits your special attention. I believe that this is an example of wanting to move ahead, which is quite different from the usual plea for assistance from the Congress.

We are at a crucial juncture. Some of this has been started on a modest basis, it is being carried on, but I hope and I am sure you can appreciate that with all the other problems that law schools, as well as other parts of the universities, have in financing higher education, they need some help in producing the supervision that these students need; and that is what clinical legal education is about.

We just don't want to put them out there and let them wander around. The importance of these activities goes to the functioning of our courts, which are the counterparts of our hospitals. I am not just speaking here of the fact that poor people need lawyers. I think Congress is fully aware of that fact and has gone over this problem and is still enmeshed in resolving it.

The fact that the courts, which are established as public institutions, recognize the need for these students is evidenced in a pamphlet I left with your committee, Madam Chairman, which we have just published. I have also left some copies of our first biannual report, but that blue and gray pamphlet is a compilation of the student practice rules which were enacted as of the end of 1970. And I think the significant thing is that when this program of innovation started in 1968 only 16 jurisdictions in the whole history of the United States had student practice rules. Within 2½ years of experimentation we now have 33 jurisdictions. More jurisdictions have enacted student practice rules and I mean the high courts of the particular States have enacted student practice rules than ever before in the whole history of the United States. It is an indication, it seems to me, of the importance that the judges in each State attach to having the help of students.

I could go on and I will state specifically Judge Bell, who isn't here, from Detroit, has good reason for not being here. We were in Detroit only a few weeks ago in the lower criminal courts. The judge there pleaded with us. He said he was brought in from the suburbs a year-and-a-half ago to help with the situation here. "I am still here. I have had to move my family into town. I have to handle 150 cases a day."

We sat there with him. "I can't even stop the calendar to get a look at the cases that I know should be stopped and looked at."

We need these students, we need the law schools. Fortunately some good things are happening right behind the courtroom. In the Wayne County jail with the cooperation of the city authorities they are building a legal clinic, a law office for students right next to the medical clinic so that the law students can work with the prisoners, but these are the kinds of things that are involved. They are desperately needed and the law schools are saying we need help, not just to continue but to improve and serve. Believe me, Madam Chairman, I have been in philanthropy for almost 15 years; I was in government for 16 years before that. When I first came to philanthropy having been trained in government I found something lacking. I found so often an absence of a reason for public support, something which is the first prerequisite in public programs in my experience in government.

This is not easy to find in new undertakings because they are so internal. I think that in this one you don't have to look too far; it is pretty obvious.

Thank you very much.

Mrs. Green. Let me make a couple of comments. I presume you have all read the article in Life magazine about the courts. It was one of the most cynical bits of writing I have seen and I am afraid maybe it is true in a lot of cases. I sent copies of this to a dozen or more lawyer friends in Oregon, including some judges, and asked them for their comments as to whether they felt it represented New York City or Portland, Oreg., or how many places. I have had some very helpful responses. One of the judges at the close of his letter, a judge that both Congressman Dellenback and I would recognize as one of the most highly respected judges in our State, said confidentially, if judges would begin court at 9 o'clock in the morning and continue until 5 o'clock, it would help a great deal.

Mr. Pincus. Would you like me to respond?

Mrs. Green. Yes.

Mr. Pincus. I think there is something to that comment. Incidentally, as an aside I would like, if you don't mind, the record to show that both the University of Oregon and Willamette University have grants from our organization and are working with their experts, and though I have had the opportunity of talking to some of your judges and members of the bar only recently because our participation was made known only last week——

Mrs. Green. Willamette University being the institution which I attended for the first 2 years, I am delighted.

Mr. DELLENBACK. May I ask whether Lewis and Clark also has one?

Mr. PINCUS. They have not applied to us. When they do we will give them consideration, but we are happy to have the two State grants in the State of Oregon.

In response to Madam Chairman's statement, I would say this: There is some validity and some improvement would be brought about by that adherence to the clock, let us say. But there are some other complex factors that it goes much beyond that. As a matter of fact, I just sat through a meeting discussing that about a week ago. Judges, district attorneys, probation officers, and all the other people who are in this chain were talking about that problem. It becomes fairly obvious when you analyze it that what is needed, and this is where clinical legal education and the law schools have a particularly crucial role, is for someone to take the whole process and try to elevate it. Just coming in at 9 o'clock won't help for this reason. Many judges come in at 9 and nothing happens. First, the prosecutor isn't there; second, the defense may not be there.

Mrs. GREEN. May I say very respectfully that if I ask for a meeting at 9 o'clock in my office and my staff doesn't show up, I would be in the position to correct that pretty quickly. I would think the judge would——

Mr. PINCUS. With all due respect Madam Chairman, I don't think the parallel is there because you have control over these people. The judge can't control the district attorney and his office and the judge can't really control the bar. He can do a lot more about that. Then you have the problem of the police department. How much manpower should they put, for example, on making sure that people who may not be going to respond to appearance, in other words, they are out on bail.

Mrs. GREEN. Then why isn't what you described also true at 10 or 11 o'clock?

Mr. PINCUS. It is, it goes on all day long.

Mrs. GREEN. You mean the judge cannot set any time?

Mr. PINCUS. He calls recesses. The typical picture is the judge is the most frustrated person in the whole process. He continues to say: "We will take a little recess until we can get these people together."

It is a very, very complicated and exasperating problem. And again I think what is needed is something like the law schools, particularly in this case to come in and work with the institutions because they don't have any of the vested interests that the others have. They don't have the same history behind them and their only interest would be to elevate the operation to a proper standard, both to educate the future lawyer and to help the machinery operate.

Mrs. GREEN. I saw another article in the Portland papers recently which was of interest and it related to the disparity in the amount that was paid an individual for jury duty. In some courts it was $5 a day and in some courts I believe $10 a day, plus transportation, and so forth. It pointed out the great difficulties resulting from this. Has any attention been given to this factor in any of your grants?

Mr. PINCUS. We haven't worked with that part of it. The law schools and people in law schools have made studies and made recommendations on the subject.

Mrs. **Green**. I would like to have Mr. Hogan comment on his experience as district attorney.

Mr. **Hogan**. I was district attorney and if the judge said to show up at 10 o'clock or 9 o'clock or any hour, somebody from my office showed up. I would imagine that the workload now most district attorneys face is just enormous and poses all sorts of problems and may very well pose the recess problem. I would also imagine there is a general willingness at least on the part of the prosecution to do all that it can to accommodate the judge in recognizing the judge's leadership and responsibility in the situation.

Mr. **Pincus**. I don't think the judge—this is one of the problems that this article points out. You see, the judge is not doing any judging. The judge is sitting there waiting for a deal to be made between the district attorney and the defense counsel. In the large cities this is one of the problems of the administration of justice. There is no judging and there is no trial and in the largest cities, I am not saying this is across the country, the picture in Life magazine is completely accurate. The judge sits there and says when you two fellows are ready to come up and are agreed upon this, that is what I will OK. Consequently people who commit felonies and should be in jail, the person who is to be tried doesn't want to be tried—he knows the situation under the present circumstances. He does everything under his power. The district attorney is helpless and consequently the judge sits there without any judging, without any trials, waiting for a plea to be arranged. It is a platter of arrangements; he says OK and you are out. This is it.

Mr. **Dellenback**. Madam Chairman, I think we are talking about a situation which we all know as lawyers vary throughout the United States. The situation pertaining to Wayne County, I don't apply in Jackson County, Oreg. There it is a very different situation. Now, the overcrowded dockets to which you alluded leave me with one question about our program. In the overcrowded docket case where the judge is going like mad on 150 cases a day, how does your program help speed up the dockets? I see it would be of great value in giving the students experience, but if the caseload and the backlog of the dockets is the problem, how does this help?

Mr. **Pincus**. Well, in that particular case when this law office is physically finished in the place the law students will be in there as manpower. They will be seeing and advising the prisoners and other people concerned before the case moves into the court itself. That is not possible today. Nobody has the time or the people to do this.

Mr. **Dellenback**. You are talking about improving quality of representation and the experience of the attorney.

Mr. **Pincus**. Excuse me, sir, it is not just the quality of representation. I think we start with that but Judge Leventhal here in the District recently wrote an opinion on this subject and, interestingly enough, spent 16 pages on the question of representation, which was a constitutional question, and then eight pages additionally sketching in great detail the answers to some of the questions you are raising, how these students will be helpful to the judges. Because I think we have to understand that it isn't just a matter of the individual getting representation. It is a question of the judge needing the help of these people so when the case comes before him it has been investigated, it has been put together in such a way so that a judge can do some judging. This is what the situation is now.

Representation is an indispensable part of that. That is a vehicle in which it operates, the way in which a constitutional right is made a reality. But, as a matter of fact, we are just as badly off as the person who doesn't have representation because we are the person involved, and the judge sitting there, and our judges can't judge.

Mr. **Dellenback.** I am not speaking in derogation of the program. I think if it did nothing else but improve the representation per se and it also was an aid by the pooling capacity of the judging plan, by the time the individual finishes his training he will be able to do a better job. This would be valuable. We all realize criminal law is in reality a relatively minor part of his training. You are focusing on that particular part and you are certainly doing some good.

Mr. **Pincus.** We are talking about criminal law. I would like to point out there is some involved in clinical as in the nonclinical juvenile and civil and so on. We happened to pick up criminal because I do think that there is no greater illustration of all the problems afflicting the whole machinery of justice. You can go to the civil side and find in its own terms as many problems on the civil side as you will on the criminal side. It just seems to me where the State prosecutes or/and where we are dealing with liberty or life of an individual, that the challenge to us to have a machinery that functions is the greatest; but it isn't the only one.

Mr. **Dellenback.** But your program is broader?

Mr. **Pincus.** Yes, sir it includes everything.

Mr. **Dellenback.** May I ask a couple of other questions, Madam Chairman?

In some of the earlier testimony reference was made to the preference for grants over loans. Now, this is obviously true for anybody, we prefer not to have to pay it back if somebody would give it to us. A young student would face this particular situation. As far as the law student in particular is concerned, unless he comes into this already owing *x* amount, maybe $10,000 borrowed for 4 years, is there anything unique about why you shouldn't borrow in law school as opposed to an undergraduate?

Mr. **Conard.** No, sir. I believe the student who arrives without debt in the legal training school is in a much better borrowing situation than undergraduate school. The limitations on it are largely various natures. No. 1, in the first place positively we think loan programs are good for law schools. It is one of the places where they are best. On the other hand it is not a reason for reasons, but I could tick off, No. 1, they are discouraging to people from minority groups or the majority groups who are not as sure of their earning capacity and therefore the loan is a good way to get the right boy into a Wall Street firm. It is not merely a way to encourage a bright Vassar girl to become a lawyer, or to encourage a young black college graduate to become a lawyer.

The second problem is that it does put pressure on students to enter into highly remunerative employment and diminishes his disposition or freedom to work in neighborhood law offices and other things which are beneficial to the community.

No. 3, if he had borrowed heavily before, it does involve an excessive debt.

Mr. **Dellenback.** In how many jurisdictions can an applicant now take the bar exam without a law degree?

Mr. **Conard.** I do not have figures, but it is about a half-dozen.

Mr. **Pincus.** At least two, New York and California, peculiarly still allow you to take the bar exam by reading law in the old fashion, although New York does now restrict this opportunity to only certain cases.

Mr. **Dellenback.** But there are no more than half a dozen so that it is almost a prerequisite that one must have a course of education and a law degree before going on to take the bar and become part of the practicing bar. Do you have any statistics on the percentage of your law school graduates who are admitted to a bar? I am trying to get some handle on the measurement of the success. We know that there are some who complete their education, get their degree and never take the bar, but by and large most of them take the law. Of those that graduate, what percentage are admitted?

Mr. **Fisher.** We have been advised, I think we know there are around 200,000 practicing law in the traditional sense. Now, presuming that that is out of some 330,000 presumably a large number of the 330,000 that are not, have taken the bar, practice, then go on to other things.

Mr. **Dellenback.** I am wondering about the law school graduate who is never admitted to practice.

Mr. **Fisher.** There are some, but speaking only from one law school, it is very very small.

Mr. **Dellenback.** I know that our percentage was far short of 100 percent admittance, even with repeaters. There are State procedures whereby an individual can take the bar only three times without the Supreme Court making a waiver, and we are aware that our courts do this particular thing, so in living with this for a term of 3 years I saw what happened. Now, a number of them just never made it. What about some sort of a handle on the number, how many graduates of law school failed to be admitted to practice, saying something about the young man perhaps, but saying something also about the training. Do you have any statistics?

Mr. **Conard.** I do not have the figures and I don't know where we can get them. We will make an effort if you would like to have them.

For a study undertaken about 10 years ago, a questionnaire was sent to all of the American Bar Association approved law schools, at that time 133, in which was asked, among other things, "what percentage of your graduates *eventually* pass the bar examination?" Eighty of those schools reported that over 97 percent of their graduates eventually pass the bar examination. We are told by the author of that study, Professor George Neff Stevens, who at that time was Dean of the University of Washington School of Law, that he has no reason to believe that this result would be substantially any different at the present time. Dean Stevens' observations are based on his continuing intensive study of legal education and bar examinations, as director of our Bar Examination Study Project.

Mr. DELLENBACK. If you could give us something fairly accurate.

Mr. PINCUS. I would like to suggest that perhaps the committee should try to get the figures because you have a total perspective on how many law graduates passed the bar and don't practice law. You see, I think you will find probably there is a larger number of people who are admitted to the bar who don't practice than those who finish law school and don't pass.

Mr. DELLENBACK. I suppose there are three classifications subdividing this. There are those who take the bar, pass and practice. There are those who graduate, take the bar, pass but don't practice. There are those who graduate, take the bar and fail. There are those who never get to practice. But what I am reaching for is some sort of a handle on the question of how good is the legal education being given by the law schools and one of the measures is those who graduated and take the bar and don't make it. It is this statistic I would be interested in getting.

Mr. CONARD. One of our witnesses is the president of the American Association of Law Libraries. Would it be appropriate for him to speak?

Mr. DELLENBACK. Yes. We should have given Professor Cohen a chance. Again, with the unanimous consent of the subcommittee, we will make your statement a part of the record. We apologize for what is happening, but as you know we are due to be back in session at 1:30. The chairman is coming back shortly; but I would be very pleased now, after having entered your statement in the record, to call upon you.

STATEMENT OF MORRIS L. COHEN, PRESIDENT, AMERICAN ASSOCIATION OF LAW LIBRARIES, CHICAGO, ILL.

Mr. COHEN. I will be very brief. The American Association of Law Libraries urges specifically that law library assistance be included expressly in legislation for higher education. We are not now referred to specifically in the Higher Education Act, in our library service nor in any of the other aid to either education librarianship. As a consequence virtually no money is filtered down to us, either, indirectly through the administrative agency involved. In some cases there is express exclusion of law libraries. And despite the fact that we are in both the bibliographic and financial crisis, we are not getting any assistance from this legislation. The volume and cost of the materials acquired has been skyrocketing. The demand from foreign comparative and international law areas has increased pressures on us. Many of the things described in the Association of American Law Schools statement represent programs and needs which law libraries are unable to meet. Neither the university nor the private foundation, nor the State governments, have been able to provide funds for this and we feel no other alternative remains but to look to Federal aid legislation. The medical library people in 1965 had a Medical Library Assistance Act and that has made a great deal of difference in that field. We feel we serve not only the law schools but we serve the bench and the bar. We serve the entire academic community and the public in general.

We feel that we have been in a way the forgotten children of programs designed to strengthen both higher education and librarianship and we would urge apparently only by specific reference can we get any assistance.

Mr. **Dellenback.** May I ask whether or not such assistance as you have been able to attain has had to come in part going through the regular university requests or have you been excluded?

Mr. **Cohen.** No, some moneys have filtered down to us, but the pressure was such and the feeling that law schools were within a privileged class, consequently very little money has come. The only area of significance, I guess, was construction money, where law school building aid had libraries in a capital way. But there has been a reluctance on the part of the administrating agency to make grants for law librarianship, and very little funds filtering down from the university library system themselves. So we are in a way in never-never land between these two possibilities.

Perhaps it would be that direct legislation for law libraryship would be in order, but that is not likely to come, I gather, at this time; and if specific reference could be put in these acts that either law libraries were covered, or even that professional and graduate schools were subject-oriented it would make it an awful lot easier for us for research library networks for all of the new technology which may be of aid.

Mr. **Dellenback.** At the present time, you have indicated in your testimony on page 2 that the Nation's medical and scientific libraries have been aided by special legislation. It is this kind of special coverage that you are suggesting?

Mr. **Cohen.** That would be very nice, but I take it it is not very likely to happen.

Mr. **Dellenback.** It is what you would prefer?

Mr. **Cohen.** Yes.

Mr. **Dellenback.** Are there any questions any of you would address to Mr. Cohen at this time?

We will do some further exploration of this point that you made. Your statement is part of the record. We appreciate your being here, and we apologize your having to wait the longest of all.

Mr. **Hogan.** Mrs. Green from time to time has expressed concern about an issue that she describes as the politicization of the universities. Very recently, in the last few weeks or so, George Washington University here, law school, had a very difficult process in deciding what it would do about the clinic. Finally the president of the university apparently made the decision that it would terminate. She wanted to get your comments on the problem of the politicization as it affects clinic work. I am not sure that we have time to do it now. Perhaps it would make better sense—

Mr. **Pincus.** I could give you a few words on the George Washington situation.

Mr. **Dellenback.** Why don't you do so?

Mr. **Pincus.** First, I should say just one or two sentences. In general there is a tendency to confuse student activity of any kind and include clinical legal education in it because it involves students working as lawyers with clients and so on; they are quite different. On the GW situation I welcome the opportunity to point out that it was only partially a clinical legal education program. It is largely what the university said it is and was. It was an entirely separate institution funded for litigation, staffed by lawyers who were members of the bar to conduct litigation. It had little to do with clinical legal education. Clinical education involves the regular law school curriculum, and students who are not already members of the bar. It involves people who are on the faculty of the school who supervise those students. I read in the newspapers the constant attribution to the Urban Law Institute, which I think is what you are referring to, sir. I was a little bit distressed about it because I felt that there was a confusion there and it should be cleared up. It was not a clinical program in the full sense. In fact, one of the reasons George Washington gave for discontinuing the institute was that it wanted to get into clinical legal education more, and it would take the resources and apply them where they belong, in the regular law school program. The Urban Law Institute was really a law office that was funded by the OEO and could have been tacked onto anything. It didn't necessarily have to be attached to GW.

Mr. Fisher. There is a VIP, if you will, called students in court; it is run by the consortium. The Superior Court judge thinks it is great. They would like more; we can't supply more. Because of the limited funds available, we cannot give adequate supervision. The judges that I talked to, the Superior Court, would like to have more of them, and we haven't got as broad a practice rule in the District as some of the other States do. But even with the limited rule, this is not political in any sense of the word.

Mr. Hogan. I take it the program can be and even that it should be conducted?

Mr. Pincus. No question about it. But I do wish to make it clear that this was not a clinical program because it had nothing to do with it. Mr. Chairman, could I ask to have something inserted from the ABA Journal, a small editorial on clinical legal education? I have no prepared statement. Would it be suitable?

Mr. Dellenback. Yes; without objections, we'd like to have it.

Mr. Pincus. The editorial on clinical legal education is as follows:

> Clinical training for law students is burgeoning like the flowers that bloom in the spring. A new booklet, "A Survey of Clinical Education Programs at American Law Schools," prepared by Robert W. Brown of the University of Illinois College of Law and distributed by the Law Student Division of this Association, indicates the number of programs and their variety.
>
> Clinical legal education programs are calculated to serve several purposes. They please those practitioners who feel that law schools should teach students how to find the courthouse. They please those students who have become bored with the traditional courses in the curriculum. And if, as is usually the case, the program has a pro bono publico aspect, it enables the participants to feel that they are doing something "relevant".
>
> If these programs are judged purely from an educational standpoint, how good are they? On this question there are conflicting views.
>
> One has been expressed by William Pincus, president of the Council on Legal Education for Professional Responsibility (an offshoot of the Ford Foundation) writing in the November 1969 issue of the National Legal Aid Briefcase. According to Mr. Pincus, a student learns several things from clinical exposure that he cannot from the classroom:

First, he learns a standard of performance, a standard that most students will never have the opportunity to learn as they are catapulted into the marketplace and have the pressures of paying secretaries, office rent, and other expenses at the same time they are learning to conduct a practice. Second, a student learns how much of a commitment he can and should make as a human being to a client. Third, the student can learn a sense of injustice, and instinct for needed reform in the machinery of justice and in the social system. Fourth (and related to the third point just mentioned), the law student should learn the distinction between what he can and should do as a professional and what he should be doing as a responsible citizen. The two are not always the same.

On the other hand, Erwin N. Griswold, former Dean of the Harvard Law School and now Solicitor General, recently voiced the hope that Harvard would not go overboard on so-called clinical training. He conceded that student activities and as legal aid are useful, but he thinks their usefulness and their relevance to the law school's basic function are limited. He said in part:

"There are forces today which are going far, it seems to me, to turn the law schools back to trade schools in the area that is called, somewhat grandiosely, 'clinical legal education.' This is financed by a large grant from the Ford Foundation and advanced with considerable fanfare and singleness of purpose. Such work has the pleasure and attraction of immediately.

"Such work has the pleasure and attraction of immediacy. On the whole, though, it has little intellectual content. There is something to be said for it as an incidental along with the basic law school work. But I would hope that it would not be allowed to displace truly substantial and difficult intellectual work . . .

"I have done a measure of practical work of one sort or another during my professional life, and I feel reasonably sure that my efforts have not suffered from lack of clinical training in law school."

Dean Griswold seems to be answering the argument, often aired by various writers in this magazine, that law schools do not place sufficient stress on practical training. But that is not Mr. Pincus' argument at all. Practical training may be a useful by-product of clinical legal education programs, but it is not what they are aiming for primarily. They seek to provide a new dimension to the student's academic experience and to heighten his appreciation of the actual ministry of his chosen profession. They are aiming at something more intangible than practical training—the quality which distinguishes the true professional from the craftsman.

Whether clinical training will fulfill this promise remains to be seen. Experience with the experiments now under way should provide the answer.

Mr. CONRAD. I have a statement here issued by the Urban Law Institute. It isn't my statement, I happen to have a copy. Would you be interested in this?

Mr. DELLENBACK. If you can make it available to us.

(The statement referred to follows:)

STATEMENT OF NATIONAL LAW CENTER OF THE GEORGE WASHINGTON UNIVERSITY

The National Law Center of George Washington University is deeply committed to the fulfillment of its role as a *national* center of legal education. We have what is today perhaps the country's most extensive program in poverty and urban law. We have been and are dedicated to attempting new approaches to legal education in a number of critically relevant and important areas of poverty and urban law, and we will strive to improve and expand our program in these areas. We have no intention of limiting our clinical commitment—our commitment to the first-hand study of law in the world beyond the classroom. In fact, we are in the process of expanding this commitment by changing its emphasis under the Urban Law Institute from a limited graduate, or post Juris Doctor (JD) program, to an extensive program directly involving many more undergraduate law students.

We are not terminating the entire program of the Urban Law Institute. Quite the contrary. We will continue the Master of Laws (LL.M.) program in Urban Legal Studies no matter what the future holds for the Urban Law Institute and its funding. We will retain Professor Rothschild's course. Problems of the

Consumer, as well as his clinical program under the Consumer Protection Center; Professor Starr's course, Housing the Poor, and his associated field work; Professor Kuhn's course, Current Problems in Civil Rights; Professors Allen and Courtless' course, The Police and the Community; Professor Carlson's course, Economic Development planning for the Inner City; and a number of others. Any suggestion that urban legal studies at GW will be ignored is totally without foundation in fact. We anticipate program redirection and expansion—not reduction. The academic program developed as part of the Urban Law Institute will continue—in fact, it will even be expanded.

The only action taken by the National Law Center in regard to the Urban Law Institute is that the Law enter will no longer serve as an intermediary which transmits OEO funds to the Urban Law Institute for field work at its 19th Street Office.

A basic question has been raised—why is the National Law enter taking this action?

Last summer we informed Professor Jean Cahn and OEO that the National Law Center would no longer accept direct Government funding for certain field work aspects of our Urban Law program. We made this decision because the Institute was evolving into a large public interest law firm over which the University had no control. With this evolution the educational component of the Institute became a very small part of its total effort. This can readily be seen by the fact that OEO provided over $600,000 last year for an effort which primarily involved about 30 students in field work at the 19th Street office. We concluded that such an enterprise could best be operated under the direct supervision of OEO with direct Government funding. Since that decision was made, we have continually stated our willingness to work with the Urban Law Institute in conducting educational activities in the field of urban law. We stand ready to accept a grant from OEO for fellowships in urban law, to send suitably qualified students to the Urban Law Institute for clinical experience, to foster continuing relationships between our faculty and the Urban Law Institute and to cooperate fully in the educational programs of the Institute. We are not willing, however, to take responsibility for a public interest law firm. We have fully supported ULI for 3 years to enable it to incorporate and establish its independent field program at the 19th Street office. Now we believe that parts of the field work, if successful, should be funded independently of the University.

We never contemplated that the University would operate a large law firm and engage directly in the practice of law. The university originally submitted a proposal for (1) graduate education (LL.M.) and (2) field training (to be conducted wholly by the Neighborhood Legal Services Program and funded directly by OEO to NLSP), to the Office of Economic Opportunity in March of 1968. The first paragraph under "Objectives" was as follows (in part):

"The National Law Center of The George Washington University proposes to institute a novel and unique graduate studies program leading to a Master of Law (LL.M.) degree. The Program would be specifically designed to provide a new kind of academic training to a corps of law school graduates enrolled in the VISTA program, who would be living in poverty areas and working with community organizations and in neighborhood law offices. Other law school graduates, who are not VISTA volunteers, also will be eligible for matriculation within the program. In addition, courses within the program will be open to under graduate law school students."

It is apparent from the above that, while pre-JD degree students might register for some of the graduate courses, the main intent was to establish a graduate academic program. It was to be totally academic in that no supervision of field projects by the Law Center was anticipated. Under this proposed program, which was the beginning of the Urban Law Institute, the Neighborhood Legal Services Program was to directly supervise the in-field work. That is, the proposal was clearly two-pronged at inception. The University would take the responsibility for the academic side through the courses, and another group or organization (NLSP) would assume the direct responsibility for the field work. It has always remained the Law Center's intention to keep the University removed from participation in the direct practice of law and to concentrate our efforts on the academic end where we felt that we had the talent, energies and basic knowledge.

To this end, and to be certain there were no misunderstandings concerning the Law Center's position in regard to involvement in the direct practice of law manifesting itself in the acceptance of client responsibility, the following directive was sent in the form of a memorandum by the Dean of the Law Center to Professor Jean Cahn on September 2, 1969, in her capacity as Director of the Urban Law Institute, stating:

"Would you please follow these guidelines for the work of the Urban Law Institute until further notice from me. The Institute is not to be a plaintiff or moving party in any proceedings in any court or before any administrative agency or body, nor is it to be the attorney or counsel for any party in such a proceeding without prior written consent from me.

(s) Robert Kramer"

In May 1970, Professor Cahn submitted a proposal to Dean Kramer for the ULI to directly operate its own large law firm. Dean Kramer suggested that such a proposal be directly funded by OEO, since the ULI was now an independent corporation. Professor Cahn stated that the Institute needed another year of preparation before it could assume complete responsibility for administering a direct OEO grant. Dean Kramer then approved the proposal but notified Professor Cahn that this approval was given only on the basis that this was to be the final year of OEO funding of such field work through the Law Center. Furthermore, on May 20, 1970 after several discussions concerning the position of the Institute in regard to the direct practice of law, a memorandum was sent to Professor Cahn stating:

"The proposed budget and other funding proposals for the Urban Law Institute for 1970–71 have my approval subject, however, to the following conditions:

1) Under no circumstances is the Institute or the National Law Center or The George Washington University to engage in the practice of law. This means that as stated in my memorandum of September 2, 1969 that the Institute, the Law Center, or the University is not to be a plaintiff or moving party in any proceeding in any court or before any administrative agency or body, nor is it to be the attorney or counsel for any party in such a proceeding.

2) In addition, the Institute, the Law Center, or the University is not to operate a law firm of any kind.

(s) Robert Kramer
Dean"
(s) J. C. Cahn"

(Added in pen to the inserted following ". . . or before any administrative agency or body . . ." were the words, "other than informally before the administrative agency")

In June of 1970, the University was engaged in the negotiation of the present grant from OEO and refused to sign the contract for re-funding for 1970–71, in part because of a disagreement over the overhead percentage to be paid by OEO. The negotiations were completed only after the University agreed to make up the overhead deficit from its own funds. The University agreed to cover this deficit only because the University Budget Director was informed by the Dean of the Law Center that this would be the last year of funding through the University. Dean Kramer informed him and Professor Cahn at that time that we would go ahead for this final year in order to allow the Institute to make preparations for direct funding for the year 1971–72. The University then signed the agreement and, based upon this condition, (i.e. the last year of OEO funding through the University), put thousands of dollars into the project for the year 1970–71, and the Law Center gave almost maximum autonomy to the Urban Law Institute by reducing supervision to an absolute minimum, because of the decision reached in June 1970 and reflected in a memorandum sent to Professor Cahn, dated July 9, 1970, stating:

"In accordance with our previous conversations, would you please take whatever steps are necessary so that after June 30, 1971 the Urban Law Institute will no longer receive any funds from or through the George Washington University. Instead, the Institute should receive all its funds directly from OEO or other sources.

I realize that this requires much planning, but I am confident that with a full year to accomplish this, it can be done most advantageously.

(s) Robert Kramer
Dean

This was followed by a memorandum dated August 10, 1970 which was hand-carried to Mr. Lenzner, the then Director of Legal Services of OEO, by Associate Dean Potts. It reads as follows:

"Gentlemen:

The George Washington University has decided that after its present contract with OEO expires on June 30, 1971, the University will no longer fund the activities of the Urban Law Institute. This means that after that date the Urban Law Institute will no longer receive any funds from or through the University, and, in the case of OEO, any OEO funds for the Institute should be transmitted directly from OEO to the Institute (or in any event such funds should not be given by OEO to the University for transmittal to the Institute).

Yours truly,

(s) ROBERT KRAMER
Dean"

On September 11, 1970, the Law Center faculty was informed of this decision and discussed it briefly (as had the Faculty Advisory Committee), and the minutes of that meeting (setting forth this decision) were posted on the bulletin board for the student body to read, as is customary.

In view of the above sequence of events, several questions are pertinent.

Why has this issue of the decision made in June of 1970 been raised with the news media et al at this time?

Is it true that OEO will not fund the field program directly for the next fiscal year? If so, why? We know of no valid reasons for a refusal (direct funding by OEO will eliminate the University overhead expense and so save government money).

Has a proposal ever been submitted to OEO by ULI for direct funding of the law office on 19th Street for 1971–72? If not, why not?

If ULI seriously wanted to prosecute the Anacostia suit, why hadn't it assured itself of the funding necessary to carry it through?

Who has authority to speak for OEO in these Matters?

The signer of the last letter we received from OEO has already left the agency What effect, if any, does the current special GAO audit, instituted since this last letter to us from OEO, have upon the position of OEO in direct funding by it of the ULI?

The field program of the Urban Law Institute now, in effect, amounts to the actual operation of a large law office engaging directly in the practice of law. In short, it is a public-interest law firm. This is a far cry from the anticipated field work under the first two years of grants providing for field supervision and training of VISTA lawyers by the Neighborhood Legal Services Program Director, whereby NLSP was obligated to furnish:

(*a*) lawyers to supervise the work of these VISTA lawyers,
(*b*) adequate work assignments for all VISTA lawyers,
(*c*) secretarial and administrative support of these VISTA lawyers, and
(*d*) adequate office space to enable these VISTA lawyers to perform their work.

In addition, NLSP was to ". . . furnish monthly reports on all VISTA lawyers . . .", and to ". . . provide all necessary information to enable GWU to furnish progress reports on this program to the Office of Economic Opportunity every four months."

We do not feel that the present field program which the Director of the Urban Law Institute insists upon is an effective and efficient way to utilize the limited human talents, energies and desperately thin financial resources of this University. We do not believe that we can provide adequate supervision for a program of this magnitude. Many want to compare our position to the University financing of a hospital and clinic. One need only look at the critical fund shortages suffered by our medical school and hospital to realize the utter practical futility of the University financing a law firm, to say nothing of the enormous staffs required. Moreover, a far more feasible approach would seem to be one followed by many other hospitals—that is, the hospital is responsible for its own funding, and the University supplies the teaching staff and academic program.

We have looked upon this Law Center's function as giving a start to certain innovative and imaginative legal education programs whenever possible and practical. Then, after giving them a chance to gain momentum, we hope and expect that they will go on to further fruition and independent development to take their proper place in the community without the restrictions which an educational institution must necessarily impose.

Now that the Urban Law Institute is individually incorporated, and now that it has had the opportunity for three years under the sponsorship of this University to develop its field program, is it not logical and feasible for this work to be directly financed by OEO? Should this be done, the University will cooperate fully in working out details for a continued relationship to the independently funded Urban Law Institute in order to provide an attractive and worthwhile academic program to be available for those doing field work for the Institute. We so notified OEO again only a few weeks ago.

Is this not the most effective way for this University to utilize its very limited resources by training in large numbers future lawyers, at both the pre and post JD levels, to work in communities all over the nation and to prepare them to directly assist in the search for sound solutions for their most difficult problems? Does this not allow us to promote many different programs over a brief time span, again with limited resources?

We believe it is the correct approach, and therein lies the basis for our decision of some nine months ago.

Mr. DELLENBACK. Gentlemen, again we express our appreciation to you and our apologies and thanks for your courtesy in staying.

We are in recess until 1:30 p.m.

(Whereupon, at 1:15 p.m., a recess was taken until 1:30 p.m.)

AFTER RECESS

The subcommittee met at 1:30 p.m., pursuant to recess, Hon. Edith Green (chairman of the subcommittee) presiding.

Mrs. GREEN. The committee will come to order for further consideration of the higher education legislation.

May I turn to some specific student aid considerations just to obtain your views and also to help make the record more complete? One, what is your reaction to putting the NDEA loan on a revolving basis with Government obligations into it each year; and if that is done, what is your attitude toward the forgiveness feature for teachers that has always been a part of it and the provision that was added in the conference last year, parenthetically, over my objection, extending forgiveness to all servicemen?

Mr. MORSE. I will be glad to answer if you wish.

Mrs. GREEN. Yes.

Mr. MORSE. I am John Morse of the American Council on Education. First, as to making it a revolving fund, as you will see in our testimony we hope that this program may continue to be funded with direct appropriations by the Congress each year. Although since 1958 the legislation has been written with certain terminal dates, at which time the funds begin to revert to the Treasury and to the institution, in actual fact since 1958 it has been a revolving fund. Now, I believe there is in it a total of $1.9 billion, and we would hope that the appropriations might continue and that it might indeed be set up as a permanent revolving fund.

Second, as to forgiveness, even though one facet of forgiveness has been in the program since 1958, almost every Congress has seen fit to add other things for which loans should be forgiven, moving on from public elementary and secondary schools to private as well as public schools, to private college teaching as well as elementary and secondary and now to the veterans.

We, in our testimony, have indicated that we hope that this entire forgiveness feature can be removed since we doubt that it is performing—we think there is evidence in fact that it has not performed the function which it presumably was designed to perform, namely to recruit more people into the teaching profession or to compensate for the inadequate pay structure in education. If the Congress saw fit to retain any feature of the forgiveness, we would hope that the only feature retained would be forgiveness for teachers who go into deprived rural and municipal systems where quite clearly the compensation for their service is not equal to the compensation that teachers in the more wealthy districts get.

We recommend that forgiveness be removed entirely, but suggest that if it serves any useful purpose it is probably in the ghetto schools and in the impoverished rural areas.

We opposed last year and I think would still oppose the existing provision relating to veterans, even though we strongly supported veterans legislation that provided direct support, such as the GI bill, to enable them to continue in their education.

We think that the whole concept of loans should be literally thought of in terms of loans, with the grant program making funds directly available to the youngsters who need them.

Mrs. GREEN. Thank you very much.

Mr. DELLENBACK. May I ask a question of Mr. Morse on that?

Mrs. GREEN. Yes, Mr. Dellenback.

Mr. DELLENBACK. We appreciate your testimony on this point. This is one of, we feel, the important moves the Congress ought to take relative to forgiveness. This is a type of stand, which, as you know, is sometimes not popular with Members of the Congress. Does your testimony imply that, if it comes to the committee moving on this, we could count on active support to achieve this goal with Members of the Congress with whom your people may have ties?

Mr. MORSE. Yes, sir, to the extent that we have any impact on the Congress. We have advocated the removal of forgiveness for 4 years now and urged that that money so spent might much better be devoted to grants that are assigned to the students who need the help at the time they are students.

Mr. DELLENBACK. If the subcommittee and perhaps the full committee should move in this direction, it may be we will call upon you to contact your friends in the Congress because this type of move is not going to come easily. If we are able to get it started, and if you want it enacted into law, it will not be easily done.

Mr. MORSE. I might add, I think the student aid officers as a group are due to testify perhaps tomorrow and the student aid officers feel as strongly as I think our institutional associations do, that this is not a wise way to spend Federal money, in view of the terrific needs for other programs.

Dr. COSAND. In the Carnegie Commission, there is complete agreement with this and in the American Council on Education the same belief. There is no—well, I should not say "no"—at least there is no visible evidence in either of these two groups of opinions to the contrary.

Mr. DELLENBACK. I don't mean to imply there is dichotomy between what you now say and other members of the group. It is just that this is the type of thing we may need much more than a statement in the record by heads of the association that this is the way you feel or some of the presidents. But this may be something that has to be worked on actively to be achieved and I say it is not going to come easily. If we get to this point, we may be looking for the stronger support you all can give us.

Mrs. **Green**. Off the record.

(Discussion off the record.)

Mrs. **Green**. On the record.

I might say I think one of the most unfair provisions I have ever seen, and I have seen quite a few written by the Congress, was that servicemen who have been in the service after June 30, 1970, be forgiven their loans at the rate of 12.5 percent.

In terms of again going back to the student financial aid, and I will question the people tomorrow much more closely on this, but we would like your views on the record now. What would be your reaction if this committee decided to bring to the law much greater flexibility in the administration of the four major student assistance programs, educational opportunity grants, work study, NDEA subsidized loans, and guaranteed student loans? What if we took the recommendation of the other party seriously, that we believe in more power to the people and decentralization, and we said to the local student financial aid officer,

> Here are *x* number of dollars that result from the fair allocation of all of the Federal funds which will go to X university. There are to be no guidelines from the Office of Education. There are to be no rules and regulations written. You can commingle them as you wish, and you are to make two criteria in working out help for students:
>
> One, that EOG is to go only to the neediest student and, two, that the student financial aid shall be given to those students who show academic promise, are in good standing, and who would not otherwise be able to continue in college if they were not the recipients of the student financial aid. Beyond that total discretionary power would rest in the hands of the student financial aid officer at that school?

Dr. **Cosand**. There are several that would like to comment.

Dr. **Kleckener**. I would say I favor decentralization as a basic concept to follow. You should place the responsibility upon the individual institution to make the best use of these funds and I think you will hear from a number of financial aid officers who favor flexibility because financial aid programs usually are made up in packages and you are forced to put different parts of each package into a total package. So I personally would support this rather wholeheartedly in this decentralized movement in the area of financing.

Mr. **Branson**. I think greater flexibility is certainly desirable, but I think more important would be an actual provision of enough money so that the poor kids will find enough to pay their bills. I think the limitation right now is not in any of the provisions, the limitation has been in the fact that not enough money has been provided. For example, even in the new administration bill, which I think many of us salute because it does say the money will go to the neediest schools first, we are very much concerned over the possibility that there may not be enough money to take care of the neediest student in the program as set up at the present time.

But we don't like, for instance, any provision which might favor certain schools, unless some guidelines are made, and I do not know how rigid they need to be, but we have been very much worried over the fact there have been some instances where seemingly the neediest students in someone else's mind have been passed over for students not so needy but who are desirable in terms of the school's list of criteria and were given aid when others were not given aid. I do not know whether I can document it too fully, but there are instances of things like that.

I think, Madam Chairman, it might be wise for Congress to set certain guidelines, perhaps not too rigid, but guidelines based upon one type of need rather than some other. I mean by that, family income or something of this type.

Mrs. **Green.** What guidelines would you have? You mention—do you accept the administration's recommendations on family income?

Mr. **Branson.** Well, I think they are much too low, frankly in terms of what the realities are now.

It seems to me, $3,000 income for a family is entirely unrealistic; but I understand the difficulty resides in the fact there does not seem to be enough Federal money available to meet all of the needs and if you could raise this particular ceiling a little higher, or if the Congress, for example, could find enough money to fund it on a higher level I think all of us would find it much more desirable, say rather than zero to $3,000, zero to $4,500, or something like that, in the first category.

Mr. **Dellenback.** May I ask this, Dr. Branson, because I am not sure I understand your answer in response to Madam Chairman's question. Basically, what we are questioning, and this comes back to your comment, Mr. Kleckner, should we leave with a few minor exceptions complete discretion to each school as to the administration of work-study and EOG funds with no standards and should the question of how many dollars we give to each school be a determination of need by the individual institution? Should there be some type of standard, Dr. Branson, in connection with this allocation? The thrust then being:

> Should a student attending a school in one place or a school across the street from another school count on roughly equivalent treatment in those two schools so far as EOG and work-study grants are concerned, or should it be left to the complete discretion of these officers in each individual school as to what he or she will do with student aid?

Dr. **Kleckner.** I thought your question meant: Could they interchange say from work-study or EOG money, that the local institution might have some flexibility within say a lump sum? Wasn't that the original question?

Mrs. **Green.** It was really a little more. That is part of it, yes.

Dr. **Kleckner.** This is what I was speaking to, flexibility within a certain lump sum.

Mrs. **Green.** Also the other part is that not to have these rigid guidelines from the Office of Education as if they applied to all 2,600 colleges. Also after an institution has received its allocation of funds, after that allocation has been made and the institution knows they are going to have *x* number of dollars, then I would go further than Congressman Dellenback and say: It shall be left entirely to the financial aid officer. There would be, of course, a periodic audit and

I assume the student financial aid officers would be operating under the policies that the university or college laid down.

Dr. **Cosand**. Madam Chairman, I think if you had asked me this question a few years ago, I would have answered differently than today. I think our financial aid officers in general, and I am speaking generally, have come of age. I think there is maturity now in these officers based upon experience and so I would like to see as much flexibility as possible left in the hands of financial aid officers to make these judgments because each case that comes up is different and if you have rather rigid guidelines then you cannot treat individuals as individuals. They are pigeonholed. I am sure we still have a good many officers that are not mature, but there are great changes coming about.

Mr. **Dellenback**. We read you then, Dr. Cosand, that instead of saying that students attending two different institutions in two different places would be entitled to the same mix of EOG and work-study payments, you feel that whatever mix each student receives should be left to the complete discretion of the student aid officer in each institution, unrestricted with guidelines or criteria or groupings as to how many dollars he would get?

Dr. **Cosand**. I think so; yes.

Dr. **Kleckner**. I stick by my original statement.

Mr. **Dellenback**. I think it is important we understand.

Dr. **Cosand**. I think so, too, but there has to be understanding and evaluation. I don't think we can go on without evaluation.

Mr. **Dellenback**. This question involves not the legislation, but also the implementation of the administration's proposal. It made clear it would permit mixing of EOG and work-study as the individual institution might determine. The mixing would be within the discretion of the institution, whether you use a full thousand for this or a portion for one or the other. The question to which I think Madam Chairman and I are directing your attention is:

> Would you support any classifications, whether they are exactly the ones set forth in the preliminary proposal of the Department at the present time, or would you leave it without discrimination, without restrictions or classifications?

Mrs. **Green**. Mr. Hayes has his hand up. It is a long question.

Mr. **Dellenback**. Dr. Hayes.

Dr. **Hayes**. Congressman, I would think in leaving the flexibility with the financial aid officers that the financial aid officers themselves would ask for certain standards or guidelines that they could consider to be fairly standard, for various reasons, over the Nation. I would imagine further, and I may be different from the rest of our panel in expressing this, I have not discussed it with them, we might want to have some standard of continuing grants to the individual, assuming that he maintained his standing, so that, having once entered upon this program, he would have something personally that he could count upon.

Mrs. **Green**. Would you yield?

Mr. **Dellenback**. Yes.

Mrs. **Green**. Then, Dr. Hayes, would you expect the institution, if it involved institutional grants, to write to the office of Education for guidelines as to how each institution is to spend those funds?

Dr. HAYES. No, Madam Chairman, I wouldn't. There is a little difference here perhaps and, I won't insist on it, in the kind of offerings that administration, faculty and students work out together as to what their education programs should be and the kind of financial offerings we hold out to students and families who are trying to see whether they can undertake this educational journey.

Mrs. GREEN. But can't the faculty and administration and students get together on the policy of student assistance at the particular university as well as a policy of how the institution's funds are going to be spent? Do you have to come to the Office of Education in Washington and say: "Please advise us as to how to aid these students"?

Dr. HAYES. Madam Chairman, I think that the point of advice is not the major point, but in many of our activities we do want to have the reservoir that provides us with what the situation is in other institutions, so that in my own institution, I cannot speak for all, we are very pleased with the development of the programs to this time and with the corrections which I think the Congress may have urged for dealing with the most needy students first. I think those corrections were needed and I am pleased with the overview of the Congress in these areas.

Dr. COSAND. I would like to make a comment on this. We see all kinds of students coming to us, some who need grants, because they don't have the time to work; they are maybe married and running a home insofar as they can, and can't participate in work study. They don't want a loan, and a grant may be best for them.

We have other students who can profit from work study in the college and community tremendously. It is part of their education, and the work study grant then becomes far more important than the EOG grant. Then we have others who would prefer a loan because of philosophy or family problems or you name it.

So I prefer the flexibility very much, which really, when you come down to it, is not for the college but the students. You have different students who have different ways to be helped. I believe strongly in the work study program.

I went through college on a work-study program and it benefited me greatly. I think it benefits many people who want to work with some other agency in the community such as social welfare work, for part of their education or maybe want to work in a laboratory as an assistant, or this sort of thing, so there are different needs for different students and this gives us the flexibility we need.

Mr. DELLENBACK. I don't want to beat this to death, but I am not sure, I thought I had you saying a certain thing, but from what you just said I thought you might have been saying something different.

But remember, basically, we are not talking about writing it into a statute but a general statute with certain administrative rules under it.

Mrs. GREEN. Will you yield? I am talking about writing it into the statute. There will be no more guidelines then.

Mr. DELLENBACK. If that is the proposal, there can be nothing whatever, and we would look at the language as to what it will say, but under the language proposed at the time there will be two areas of broad discretion given to the individual aid officer and the first would be a rather broad discretion, what will be considered the individual family's contribution.

In other words, where it would fit under adjusted family income, it is not just taken off of the tax return but a variety of factors. Your student aid officer would look at the family and say, "There is a sick child in this family with a serious ailment and we might have to make allowance," or "we have another child in college and have to make an allowance," so he cranks in a series of factors which first sets the adjusted family income facts.

Having done that, the officer would have a second area of discretion and that is to determine the mix, work-study, economic opportunity grant, and if the student wanted to go to the loan program instead of these grants, well and good. There is no mandate they must take the grants, so there is a second broad element of discretion intended to be in the student aid officer.

It is then under those circumstances that they look and say, "We are going to treat differently a family with an adjusted family income of $1,000 and a family with an adjusted family income of $7,000 because we don't think they ought to get the same."

So, instead of relying on the individual student aid officer to make that determination, the Administration's proposal sets up broad classifications and breaks it down into about five classifications and says, "In your institution there is an adjusted family income," and having a great deal of discretion in determining what is the adjusted family income, of $1,000, and that family ought to be treated the same as if in your institution, say, there is a family with an adjusted family income of $1,000.

They should not be able to make a soft touch in one institution and find somebody else who is hard so they start shopping around and say, not that they would count on the same amount of aid in approximately two different institutions, but that they would know that if it was determined this way in one that it would be about what they would get in the next.

The question is: Do you want this complete discretion in addition to the two types of discretion I already talked about? Or, do you feel there should be at least these rough guidelines so that there is generalized equality of treatment between the institutions in different localities? Which is it you say?

Dr. **Cosand**. Before I let them answer, let Dr. Hester make his comment because this is a big point.

Dr. **Hester**. I am generally in favor of giving the man who is dealing with a particular case as much freedom as possible. My tendency would be in that direction.

But I have not examined this particular point with my own student aid officer and don't want to give a strong opinion.

Dr. **Cosand**. You see the difficulty.

Mr. **Dellenback**. For the record, it is difficult.

Dr. **Kleckner**. For the record, I am concerned about the continual reference to discretion for a financial aid officer, and I think this needs to be clarified. A student aid officer does not operate by himself, but operates within institutional policy which is established by the trustees and faculty, but it is important that you are not giving just a man this discretion but giving it to the institution to establish these rules. That says something quite different.

Mr. Branson. One minor point, Madam Chairman and Mr. Dellenback. It seems certain that guidelines are essential in order to assure for the student he can know and appreciate he can get the type of financial assistance he needs in order to get through college. One of the problems we have is trying to go back far enough and convince certain young people that the opportunity is real and that it is going to be there for them. I am afraid if we do not set certain guidelines that this will not be so. He may find himself applying to a school, if this man has so much discretion, where it may turn out he can't get the package he needs to continue. This may be discouraging.

Mr. Dellenback. The predictability is one of the goals sought.

Mr. Branson. I would put as No. 1 the requirement it must be such that the student himself knows and is assured he can get efficient aid to gain his education.

Dr. Cosand. This goes back to the comment about the difference in different areas. I don't know whether we are in disagreement here or not, but I get concerned about the pigeonholing which does not benefit the student really and people might say, "This is an administrative vehicle; it is easy to operate, we don't have to make many decisions."

Flexibility puts a lot of decisionmaking upon the college and board to set policy and then the financial aid officer to administer.

Mr. Dellenback. If I may, it does give something to the student that he knows what he can count on.

Mrs. Green. Will you yield?

Mr. Dellenback. Yes.

Mrs. Green. I am sympathetic to the administration in amending their goals but I think this is elementary and misleading rhetoric—that it assures every needy student that he is going to have help. I don't think that is true at all. It depends on the level of appropriations and the number of individuals enrolled in the college and upon the competing demands that are made upon *x* number of funds. I think to say that if we pass this kind of proposal, that we are assuring every needy student in the United States that the help is there, is very misleading.

Mr. Branson. Very serious.

Mr. Dellenback. I would agree, but it does give some predicability, subject of course to the dollars that we could authorize and find unappropriated, but if there be the appropriated funds it is a reaching out in the direction then of giving the student some knowledge of about what he can count on, instead of saying, "I don't know what I am going to get, next year I may get something different than I got this year with exactly the same income to my family," because the student aid procedure in that school may change by next year.

Mrs. Green. If my colleague will yield, let me ask this: Isn't that really a flexibility any institution would demand? I think it would be wrong to guarantee a student that "when you are a freshman you are going to get $1,400 and next year you will be guaranteed $1,400." A student financial aid officer may have other students who need $1,400 more and this student may be capable of working more during the sophomore year than he was during the freshman year and there are so many factors to consider.

I see we disagree.

Dr. **Shannon.** May I add a word to this, Madam Chairman? I am like Dr. Hester. This is getting to be a very complicated area and, as we said, our financial aid officers are getting more sophisticated at this and I certainly don't feel fully competent to deal with this. But I think the very point you make is a significant one, that the situation does change from year to year and in terms of your evaluation in any one institution of the numbers that you can help most effectively, the flexibility is very important. We would all be glad to do further study on the details of it and consult with our financial aid officers and you will get further testimony from them.

Mrs. **Green.** I would like to have it. There is one conclusion I am forced to reach, that at the university level you never really had an institutional policy on financial aid matters.

Dr. **Hester.** We have a variety of policies, yes. It is according to what is available and what the present Government is providing.

I have not been able to discuss this point, whether it would be of value to have some guidelines. My strong impression is in the direction of your argument. It is much better to let institutions study their needs and the moneys available to them and adjust them as they see fit. I appreciate the seriousness of Mr. Dellenback's concern; there should be some kind of rough justice among institutions, and I would want to talk to some of those who are in the financial aid business about that aspect before I committed myself.

Mrs. **Green.** For the record, it seems to me also there would be the added advantage of being able to work with the State support which is available at institutions plus the aid made available by the institution itself in putting together the total package.

Mr. **Quie.** Has anybody asked about the "EOG," whether a college can use this high amount per student, I think they go as high as $2,800. The administration would put a limit on the amount per student at the high-cost institutions but after that occurs the students can get subsidized loans. Do you think you ought to be able to use the Federal grant money to pay as much as you want to even at a high-cost institution and thereby, with our limited amount of money, deny any aid in the form of a lesser amount to students who go to community colleges? You see, this is where you give a student a $1,600 grant instead of giving four students $400 grants.

Mr. **Morse.** Madam Chairman, Mr. Dellenback, I think perhaps inadvertently the panel has given a misimpression. Every college and university in this country operates under certain policies relating to the financial aid of students. Those policies had been developed well before there were any student aid programs supported by the Federal Government. There are basically two systems, sponsored by the College Scholarship Service and American college testing program. Virtually all colleges subscribe to the need analysis system of one of those two organizations and they are almost identical in their application.

They accomplish precisely what Mr. Dellenback at the outset was suggesting the administration's bill would accomplish; namely, take all of the family factors into consideration, whatever they may be, you name it, and give the student aid officer a figure of expected parental contribution, and there is not all that much difference from college to college. The system is already in operation. It was in operation in 1955. It was in operation 10 years before we had any such thing as opportunity grants. The colleges and universities today assign far more of their own funds under this system than they assign Federal funds.

Well, these two need analysis systems make their literature available so that any family or any son or daughter who knows the family circumstances or any guidance counselor who knows the financial situation of a family can figure out what the youngster needs.

Now, we come to the question of entitlement. Any child and any parent can figure out what the gap in resources between the college budget and the parental contribution is likely to be. If there were enough appropriations at the present time to meet every institution-approved request for funds, then every child could count on that amount of money as the system indicates necessary when he picked his college. All I am saying is that the present system does exactly what the administration hopes to achieve through its program, except that there is not enough money to meet the calculated needs of all of the institutions.

Now, as to its flexibility, and I will shut up in a minute. I think there is great need for flexibility in transfer of funds back and forth between the three basic elements of the student aid package. But I think we would hope that three programs would retain their individual identity; namely, grant and work and loan, with some flexibility but not total flexibility assigned to the individual student aid officer so he might pick up, let us say, 20 percent of his grant money and put it into work study or vice versa, or both into loans.

Mr. **Dellenback.** How about the key aspect of Mr. Quie's direct question? What about the maximum amount? Would you stop at $1,000 or permit going to $2,000 or say, "The sky is the limit," depending upon what the individual institution wants to grant?

Mr. **Morse.** Well, the legislation at the present time carries a maximum of a $1,000 grant I believe, and anything over that must be made up by work and loans. We have not advocated increasing the size of the grant because with a $1,000 grant, it does not seem unreasonable that the youngster would make up the difference in work and loans. One of the basic factors in the current work-study program as opposed to the proposed change, is that much of it is in the form of summer work which can supplement greatly that basic $1,000 grant.

Mr. **Quie.** The administration bill would put, as I understand it, a $1,000 limit on work-study and the grant together rather than $1,720?

Dr. **Cosand.** $1,720 plus the $1,000.

Mr. **Quie.** The administration bill would not permit some of the high cost institutions to give as great a grant to students as they presently do. My question is, under national policy should we make certain that as many students get aid, or should we aid the institutions more so they don't have to use their own money for grant money for children in high cost institutions? I do understand what you say if you look at the institution's point of view, but what about the Federal Government's point of view?

Dr. **Hester.** You may be precluding the opportunity for the student to go through high school, and these are institutional aids and all of these things are of value. It is of value to have as many students go to college, and also of value to have students go to a higher class institution.

Mr. **Quie.** So that every child cannot go with the high costs?

Dr. **Hester.** That is right; so you have to make out for both needs, one of high quality and for some to go to the other schools.

Mr. **Quie.** Do you think we should provide for the poor student, who goes to a high cost institution, an additional grant because he chooses a high cost institution?

Dr. **Hester.** Presumably the high cost of institution had then chosen him carefully and he is qualified for the education it offers, and I certainly think it would be a form of discrimination to prevent him from going to that college if he is qualified to go.

Mr. **Quie.** But by providing additional grants to him, that means some other student cannot even choose the lower cost institution because there is not enough money to go around?

Dr. **Hester.** You are talking about changing the present system which permits the $1,720 maximum and moving toward a system that would spread the funds further, but would deny this kind of support for those who want to go to higher cost institutions. This is a subtle philosophical point. You have to make up your own mind on it because obviously we would like to help everybody to go to every kind of institution, but you have to decide what kind of mix the country can afford. I believe it should provide opportunities for some people of limited financial resources to go to high quality institutions. This is the strength of our system.

Mr. **Quie.** I wonder if the Federal Government should. I think somebody should provide it, but I don't know that it should be Federal?

Dr. **Hester.** I would hope that Federal support would provide a variety of opportunities to the variety of people we have in the country and the variety of institutions serving them.

Mrs. **Green.** I have serious reservations about this. It seems to me if an institution wants to do it, it is their responsibility. But it is not the responsibility of the individual taxpayer to make it possible for the neediest student to go to the most expensive institution. And I would like to offer another view. I do not equate the highest quality with the highest cost.

Dr. **Hester.** I would agree with that although there is something to it.

Mrs. **Green.** Much less than generally believed. There are a lot of less familiar institutions that offer good education.

Dr. **Hester.** Yes, I agree.

Mrs. **Green.** Dr. Morse, I would like to agree with what you said, up to a point. In recent years I have seen guidelines and rules and regulations issued by the Office of Education that are in contradiction to what you have said. I refer particularly to a guideline that has been in effect that, if a university has *x* number of dollars, and if one student shows greater academic promise and cannot remain in the institution without financial assistance and there is another student who cannot remain in the institution without even greater financial assistance, the guidelines specifically say that poverty will be the criteria.

I gave an example the other day to some of you, and I would like to put this in the record, the illustration has been given under the present guidelines that if $1,000 is available to *x* University and there are four students who will not be able to continue at that university and continue their postsecondary education without $250 in EOG, and all four show academic promise and there is another student who will not be able to continue at the university unless he has $1,000 in EOG, the guidelines are very clear and give the direction to the university that the full $1,000 should go to the one most needy student instead of dividing it up and making it possible for four who have greater academic promise to continue their education. This seems to me a contradiction of the college entrance board formula and of the act.

Mr. MORSE. I don't think, Madam Chairman, we are in disagreement. What you are pointing to is a set of regulations that thwart the system at the institutions as they have tried to set it up, but I would point out that the regulations do so only because there are inadequate funds within the institution—under these proposed and even the proposed administration guidelines for the new program, there would be enough money to go around so that all four of those $250 needy students would continue in college, and that is a consummation devoutly to be wished. But it depends, as you point out, on the appropriation process. You and I are not in disagreement, but such regulations do distort the existing need analysis program.

Mrs. GREEN. It seems to me that the new proposed changes that the administration has recommended would thwart it still further in terms of their family income cutoff figures and the EOG going to students with family incomes of less than $5,000. I would also ask that people in higher education give consideration to other factors, factors I think the College Entrance Board and others have not considered, that is the other Federal programs that amount to very substantial funds that are received by families beside earned funds, or beside cash income. I refer to people who are on welfare who not only receive a cash amount of income, which is the only factor that is considered, but in addition they may receive extra thousands of dollars in public housing subsidies, in food stamps, in paid medical bills, and other items, so their income is actually more than the income of families who are found ineligible for aid because they are working only and I just thought those factors should be considered.

If work study were to be expanded, would you people be able to find meaningful jobs for a larger number of students?

Dr. COSAND. I can speak for a segment and the answer is "yes," within the community, not necessarily on the college campus but within the community. We have not been able to have as much as we would like to have with respect to jobs within the inner city in particular. Maybe there will be disagreement on this.

Dr. KLECKNER. I would say strongly, in terms of private colleges and universities, that we could.

Dr. HESTER. I also would say very much, yes, and we are considering going into our own work study program as a form of institutional financial aid because we believe so strongly on it.

Dr. SHANNON. I think we would all say yes.

Mr. QUIE. Are you talking about your own, you mean on the campus or community?

Dr. KLECKNER. Both. In other words, to have more of our students work or make a contribution toward income.

Mr. QUIE. That it benefits without outside assistance of the State of Federal Governments, and who would pay for the wages of the students that work?

Dr. KLECKNER. We are working with local businesses at this time.

Mr. QUIE. This is not like cooperative education?

Dr. KLECKNER. That is right.

Mr. QUIE. You are not talking about college money to go to a hospital to hire students?

Dr. KLECKNER. No.

Mr. QUIE. There, we are talking about Federal money.

Dr. KLECKNER. On campus we talk about that.

Mr. QUIE. I know the work study program helps.

Dr. COSAND. It helps the students in terms of their own education—in terms of education. I think this is one of the fine points of this program.

Mr. QUIE. When you mentioned this, I have had some people say they have not expanded the work study program on their own campus because they felt it would be busy work and they think that some colleges do develop busy work. Do you want to elaborate on that?

Dr. COSAND. I don't think I want to say it is. I still think that most of our work studies are off the campus. I would say at least 80 or 90 percent of the work studies are within the community, not on the campus, and I think it is probably generally true across the country. I would expect it to be. I am sure you could find busy work, but I think it would be minimum.

Mr. BRANSON. One of the problems with some schools in the community has been lack of aid for supervision, supervision being a major problem, and some students have gotten a mistaken idea about the nature of their role and have goofed off and some schools might ask for a little more aid in supervising.

Mr. QUIE. Do any of you with institutions in a small town have this problem of work available?

Mr. BRANSON. I am in the smallest town conceivable; we have our own post office.

Mr. QUIE. What is the situation there as to providing enough?

Mr. BRANSON. It is difficult. It is a small village associated with the university, about 500 or 600 people, and there are few jobs there. We have been trying to run some programs between the university and the village, which the university has taken responsibility for, and we have had work-study students in that thing.

Dr. COSAND. This is the flexibility factor in a small area where there is not much of a community, because you can't do what I was talking about, so maybe the grant and loan become more important there.

Dr. HAYES. It is important, Mr. Quie, that the work program should be utilized whenever it is feasible and I think usually it is feasible if we approach it creatively. For instance, there are cooperative education programs and there are programs of service in the community, which need the cooperation of agencies in the community, and I would say in the small town, in the rural areas particularly, the work, the valuable work of college students can be programed.

Mrs. **Green**. May I state for the record it is my understanding this group is recommending that the student financial aid be extended to part-time students?

Dr. **Cosand**. Yes.

Mrs. **Green**. And that the student financial aid is to be extended to proprietary institutions?

Dr. **Cosand**. Yes.

Mrs. **Green**. Let the record show they all nodded in an affirmative way.

May I turn to the guaranteed student loan program and ask, does expanding the repayment period to 20 years instead of the present 10 give you any concern? And does raising the amount of total loans that a student can obligate himself for—raising the loan ceiling to $17,500 as the administration has suggested give you concern? The American Bankers Association tells me that this means an interest obligation of $32,000 plus the loan of $17,500. In other situations in our society, we say they are not old enough to sign contracts, but we are encouraging them to obligate themselves to debts of $50,000 and if a young man and woman each borrow $10,000 and then later marry, it becomes a pretty substantial burden to them.

Do any of you have views on that?

Dr. **Cosand**. I think I have some opinions, but I would prefer one of the others speak.

Mrs. **Green**. I like your opinions.

Dr. **Cosand**. Well, Dr. Shannon, would you like to speak to this?

Dr. **Shannon**. Well, I am certainly concerned about this and I think this is one of the reasons why we feel very strongly that we shouldn't get in a position where students have large amounts of loans as the only means to proceed with higher education.

I don't know that we have particularly talked about this as a panel in the sense of what the limits on the loans ought to be and as it relates to a certain amount of freedom of choice, with proper warning on what a person is willing to obligate himself to.

As I understand, the reason for increasing the amount is because of substantial increases in costs in some institutions. So the $17,000 is really a recognition of what it takes to go to some institutions for 4 years. But it is a concern.

Mr. **Branson**. Certainly, this has caused great agony among the 111 predominantly black schools. First of all, as a group these graduates make much less money than graduates of other colleges during their lifetime. As a matter of fact, the difference is so severe that I think the economists of the Ford Foundation are even disturbed about putting the black school in in their consideration of the PAYE program.

Mrs. **Green**. Could I suggest that a program would show that the women make less in the terms of median income in comparison to the white male and the median income of the black male?

Mr. **Branson**. I believe that. When you think of the $17,000 ceiling you know what we are up against. We have been going over these things constantly.

I should tell you that at least in the schools I know of, the president is in constant touch with his financial aid officers and meets regularly and they go to the blackboard and see how they can meet these demands. This is a continual progress.

We have calculated that if a student comes to Lincoln with nothing, he will accumulate a debt of $6,000 during his college years.

Then if we want that young man to go on to law school, medical school or a graduate school, he is really faced with a terrific dilemma.

We would like very much to have maintained the present 17-20 ceiling which was in the present operation in the new bill, for we do not know how we can possibly encourage these people to continue and accumulate that kind of debt. It becomes very serious.

Mr. **Dellenback.** What sort of maximum debt would you recommend if we were to write such a provision in the legislation? Where should it be set?

Mr. **Branson.** I hope it will appear for you later on. We have set a figure, and we think $3,000 during the college years will be just about the upper limit. Then a person could think of going on to medical school and then during that time accumulate another $15,000 or $16,000 during medical school, ending up with a total of no more than $20,000 debt for his medical school and college work.

Mr. **Dellenback.** And if he were not going to go on to medical school?

Mr. **Branson.** We would like to make it possible for many more youngsters. I am looking at a slightly different picture. I am looking at the fact that there are 300,000 physicians in America, of which only 3,000 or 4,000 are black. We are thinking of catching up in many large areas.

Mr. **Dellenback.** We are not looking at it any differently in this. I would be delighted to do what I can do to help.

I would ask the question first of whether there should be a limitation on the loans that the Federal Government might be involved insofar as the student is concerned? And would you make a distinction as to what that upper limit should be, depending upon whether a student went to only a 4-year level or whether he went on to professional or graduate school?

Mr. **Branson.** I would certainly say that. In other words, a person who is going on to medical school, for example, could certainly assume a $20,000 debt with a minimum amount of fear.

Mr. **Dellenback.** You would set a $3,000 limit for all students whether or not they were going on beyond their 4 years in the way of loans?

Mr. **Branson.** We would like to do that. We must think about people who would also choose a wife who has also been going to the same school and also accumulated a debt.

Mr. **Dellenback.** Who will have equal earning power at this time.

Mr. **Branson.** Who will start out with a $6,000 debt and will go into jobs that will pay no more than $7,000 each. They start their lives with $14,000 a year and with $6,000 of debts, which is not bad. But I would hate to see them start out with a $15,000 debt with an income like that.

Mr. **Dellenback.** May I ask the members of the panel what they could see as a total obligation as far as somebody completing 4 years of undergraduate education?

Dr. COSAND. This was discussed emotionally in the Carnegie Commission for more than a year. I don't think there is an answer to your question for this reason: We have all different kinds of students from different types of backgrounds. For example, when there was a talk about Yale, there was a statement made by President Brewster, as I recall, in the meeting I was in with him, where he said that perhaps 60 percent of the students at Yale would take advantage of this loan program and pay it back and not suffer from an increase in tuition.

People from this background, as was discussed in the Carnegie Commission, are not hesitant, perhaps, to accumulate a debt and so the size of the loan might be $17,500. It doesn't overwhelm them.

But in the Carnegie Commission there were two individuals, in particular, who spoke against these large loans. One was a Mrs. Patricia Harris, who was formerly the dean of the Law School at Howard, and the other was a Dr. Kenneth Dalleth, who was the dean of the Law School at Texas Southern University and was more recently in Boulder, Colo. Their concern is what President Branson spoke to very strongly, that many, many students from backgrounds where there is not much affluence, if any, simply are not emotionally ready to assume a big loan.

So what I am saying is that you have a tremendous mix here of philosophies, and so in answer to your question of a maximum, I don't think there is an answer to that.

Mr. DELLENBACK. Are you then telling me there should be no maximum set?

Dr. COSAND. I am not saying there should be no maximum. I think it would be presumptuous for me to say there is an identical maximum for all students.

Mr. DELLENBACK. Should we write criteria of different maximums for all students into the law?

Dr. COSAND. That is different, because you have every kind of thing represented here. You see what I am getting at here.

Mr. DELLENBACK. Yet you see what our problem is. The question is, one, should we write it in the law: should we try to settle it or leave it completely alone, or if we do, should we set it at $3,000, $7,000, $17,500, or should we vary it depending upon certain criteria and, if so, what are those criteria?

Mrs. GREEN. Would you yield?

Mr. DELLENBACK. I yield.

Mrs. GREEN. In addition to what he has suggested, can I ask you to consider one other factor we haven't touched upon and yet may be in your minds also? If we gave the flexibility to the student financial aid officer, and if there were wise counseling, I think they could control this and there would be no real need for a maximum.

It has never been possible so far in Congress to really give the student financial aid officer control over the student guaranteed loan program and, therefore, the student is able to go down to a lending institution and borrow additional moneys.

But beyond this factor, if there is not a maximum set, and if students obligate themselves for $20,000, I must say, Dr. Branson, that scares me. If, as a result, we find a very high default rate, may I suggest it may even kill the program.

We have been advised, and we will hear from them, that in the New York area—and some of you have suggested this—the evidence is that in the guaranteed student loan program run by the State of New York, which preceded the Federal program and has, therefore, been in duration long enough for us to have statistics on default and delinquency rates, that the default rate is from 10 to 37 percent.

I would suggest that the Congress will not over a period of years allow that because they will be paying that money. This needs to be a factor for this subcommittee and for you people if we want to continue the financial aid program.

Dr. **Cosand.** This is one of the things that Dr. Harris spoke to: first of all, the fear of the big loan and, secondly, what you might get yourself into by assuming a big loan on hope that was never fulfilled and, therefore, there is default.

I guess what I am saying is that the degree of affluence in the background, the degree of hope in a job that could pay this out, both enter this picture.

The reason I didn't speak to it first of all was that in a community college we don't have this kind of a problem, because the costs are not that high. That is why I thought the four-year presidents, in particular, where there are high tuitions, could speak to it a lot better.

Dr. **Hester.** This is a problem concerning us very deeply. We have moved into loans fast in this country. It sounds right. It sounds right that people should borrow for education since they are going to borrow for cars and houses and television sets. Yet, we find these youngsters building up these huge debts and we don't know what this is going to be over a period of time. It is a troublesome thing, and you have pressures on both sides. You want to find every penny possible to help them pay for their education, and yet you see these girls with large negative dowries—

Mrs. **Green.** Those are the wrong words, Doctor.

Dr. **Hester.** The question is: Do you ask them to marry you or first find out what they owe?

But I think, as President Cosand said, it would be impossible for someone in the midst of this, in my experience, to have a clear opinion at this point, because we have these pressures coming at us from both sides.

You don't want to say to someone, "You can't go on with your education," when they are bright and have great promise and could conceivably earn a great deal of money and pay it back, and yet you don't like to see these young people acquiring these great debts.

So there is a very serious dilemma.

Mr. **Dellenback.** Do you have any suggestions, aside from commiserating with us in the issue——

Dr. **Kleckner.** I might underscore that it has been my experience that this fear of loans on the part of our black students is very real and this is not put on.

Mr. **Dellenback.** Is it confined to black students or is it that of many?

Dr. **Kleckner.** We at the institution try to guard against exceeding $4,000 over a four-year span. In other words, we caution them rather tactfully not to go beyond a $4,000, a $1,000 loan a year, which we feel is about all they can stand, looking ahead.

However, ideally, it would be fine if we would have no maximum; in other words, if an individual can handle it and he thinks he can handle it, then that is fine. Why should he be limited?

But I really wonder if no maximum is a practical thing. It may be an ideal thing, but I doubt if it is practical.

Mr. DELLENBACK. If we should write that into the law, where should we set it?

Dr. KLECKNER. The maximum?

Mr. DELLENBACK. Yes. You have $3,000 and $4,000 and $20,000.

Mr. BRANSON. That is only for those going to medical school.

Mr. DELLENBACK. You can't always tell that at the time of the completion of the undergraduate, and you can't tell it in the first year or second year or third year of college, perhaps. We don't mean to push you unduly, but you see the problem. We can't run away from it. This is what we have to face ultimately, even if it is to do nothing. We want your best decision on it before we call it quits.

Dr. HAYES. I don't have a magic figure for you, but I would just submit that the kind of student who is going to want to borrow $20,000 in the first place is probably the kind who comes from the kind of background where he will be able to supplement that borrowing in which the Government has some association with his completely private borrowing which he can do as a citizen and with no controls by any legislation concerned with student financial aid.

So I think you are really concerned with a ceiling which would apply to that student who is not of the affluent community and the student who would be in danger of getting in trouble with borrowing. The rest of it, I think, would be outside the need of legislation.

STATEMENT OF ALLAN W. OSTAR, EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Dr. OSTAR. Just a comment to Mr. Dellenback's question about us having a solution to offer. I would respectfully suggest the experience with the GI bill, and these figures might be helpful.

The GI bill, the World War II and post-World War II bills, cost the Federal Government approximately $12 billion. Four and a half million veterans took advantage of this. These 4½ million veterans have paid back approximately $100 billion in Federal income taxes as a result of the $12 billion investment.

That is one way for the Federal Government to approach the financing of students.

Mr. DELLENBACK. So the suggestion is that we ignore the whole loan procedure and go strictly for grants and we will get back more than enough to repay all that goes into the grant 10 times over?

Dr. OSTAR. Yes, sir.

Mr. DELLENBACK. Do you have any other solutions?

Mr. BRANSON. Madam Chairman?

Mrs. GREEN. Dr. Branson.

Mr. BRANSON. There is probably one important point at issue we haven't stressed; that is, that the reality is we are not loaning money to students who are now willing to assume any amount of debt to get a college education.

I know young people who would borrow any amount if it would be possible for them to continue their education. In some instances we have dissuaded them from borrowing. But this was the only way out, and the figures I give you are based upon extreme cases, the person who could get no aid, the person who would like to go on to medical school and can't get aid or family assistance. The total amount is about $4,000 a year in medical school.

So, consequently, I base my figure on gaining this complete package through a reasonably priced college and on through a professional school.

Mr. **Dellenback**. You are aware of the fact, and we are also, that there are statistics which deal with this. One of the sets of statistics compiled by the Department of Commerce and the Bureau of the Census indicates that the average high school graduate after 4 years could expect to earn $341,000 during his or her earning lifetime, and after 4 years of college, in addition to the 4 years in high school, would earn $580,000, or a differential of $167,000.

Now, this is measured in pure dollars, at least an average. Certainly, there are many who miss the average completely.

We are worried about the one who would miss the average and we are worried about the one, who because of the background, or for one reason or another, would never really take these as anything but paper figures and wouldn't take a chance on it and all of the other things.

I don't push it beyond that, Madam Chairman. If at some later time a member of the panel of the associations involved would care to make a suggestion to us as to what specifically you might write into law, if indeed anything, I, for one, would welcome this and would welcome your submitting it to us. I am sure at that time the chairman would be willing to make it a part of the record.

Mrs. **Green**. I think I should also present some statistics to match Allan Ostar's about the millions of kids that went to college without a single GI loan or GI benefit and earned a number of dollars and paid out income tax. On that basis, we would probably be advised not to give anything in the way of student financial aid. Each would be equally valid.

Dr. **Cosand**. Madam Chairman, maybe there is something here on maximums that deals with the particular costs of going to a specific type of institution. Maybe this is a partial answer; that is, if you go to a community college the costs are low, but maybe the amount that could be borrowed there and certified as a legitimate loan by the financial aid officer would be an altogether different amount than the amount for the person going to Yale. Maybe this is an approach. I am not recommending it, but maybe this is an approach to these maximums that we all agree are perhaps different and should be different.

Mr. **Dellenback**. I would have a bit of concern with this. Mrs. Green earlier alluded to something I feel very strongly about in this morning's testimony; that is, second-class education, or some indication that anybody who has it will really go on to a 4-year academic institution and anything less that that is what you could do if you can't make it the other way.

I know you don't believe it, and for that reason I am reluctant to write one more thing in the law which says that if you go to a second-class institution, you can only borrow so many dollars, but if you go to a really good institution, you can borrow a large amount.

Dr. **Cosand.** It is not a second-class institution, but it is a different cost institution.

Mr. **Dellenback.** I am worried about the psychological fix in the American public.

Dr. **Cosand.** This is what we are talking about, different types of students and different backgrounds.

Mrs. **Green.** May I suggest that we probably aren't going to solve this problem, and when the American Bankers Association testifies, maybe we can get more help from the people who have been in the lending business and who have learned to set certain criteria.

I do suggest that there has to be, perhaps, a limit, because I think with people applying for FHA, or anything else, the bank uses the possibility of their repaying as one of the criteria for making the loan.

Let me turn, if my friend and colleague from Oregon will allow me before we turn to the Foundation, to the matter of the majority of the people in the United States that have been discriminated against since the year 1 in the halls of academe.

I have some proposals on ending sex discrimination in colleges and universities, and I would like your reaction on how much dislocation will be involved.

I propose the following:

That there be prohibition of sex discrimination by recipients of Federal aid in education programs.

I had it in the bill last year. It would be in addition to title VI of the Civil Rights Act; that an institution of education could no longer discriminate on the basis of sex any more than on the basis of race.

As you are probably all well aware, there is an Executive order now that the contractor must have an affirmative plan of action to end discrimination based on sex or Federal funds will be cut off. The University of Michigan case is probably the one most talked about, and I hope, indeed, that the final settlement requires retroactive pay, which may be one of the factors that you will add to your financial woes, because I suspect this will come to a huge amount if it is ever adjudicated.

That we would amend the Fair Labor Standards Act which now exempts women who are in professional, administrative, or executive positions, so that there no longer could be any discrimination on sex in these categories.

That we would amend section 702 of title VII of the Civil Rights Act to remove the exemption of teachers.

There are several questions I would really like to have your response to. Most of the institutions have required a higher grade point average for girls than for boys for admission.

These changes in the law would prohibit this. It would prohibit different salary schedules for faculty members, women and men. It would affect policies on promotion. Women have traditionally—and I think the evidence is overwhelming—not been promoted as rapidly on faculties as men have.

There is a median salary for full-time women professors that is $1,100 less than the median salary for a male full-time professor.

These amendments, plus the Michigan case, plus the Executive order, are all going to have, in my judgment, a tremendous impact on higher education.

I have said to other groups that this is probably going to be the most revolutionary thing in higher education in the 1970's. Would any of you care to comment on this?

Dr. Hester. We have the message. We have not thought of ourselves as being discriminatory, and I am proud to say that my own university has been a leader in many of its divisions in bringing women into higher education.

Mrs. Green. How recently?

Dr. Hester. About 1895 I think we started including women in the law school, which, I think, was one of the first in the United States, if not the first. The school of education, of course, goes back to that period.

I am just speaking now of the message that has been received by people who didn't really realize they were discriminating, and I believe you will find in most colleges and universities now either an affirmative program in motion, or one that is being prepared, and a great willingness on our part to redress any real inequities that have resulted from traditional attitudes which have proved to be discriminatory.

Certainly, I don't believe that there is any institution by policy that can't go that far. Certainly, if any institution by policy pays less, if the averages work out that way, it is through circumstances which we are trying to correct.

Mrs. Green. I will send you the hearings, Dr. Hester, on the study of New York colleges. I don't know the statistics on New York University.

Dr. Hester. We are examining our own, and there is no question that when you get to the higher levels there are fewer women and more apparent discrimination. All I am saying is that we have received the message, and we agree there should not be any injustice in the treatment of women in any of our institutions. I believe we are all moving to correct whatever practices have developed over the years that have served to discriminate against women.

Dr. Cosland. President Fleming and President Henry got the word, and I would agree with President Hester.

Mrs. Green. I don't think you have responded as to what kind of impact it is going to have in relation to your problems.

Dr. Hester. Part of the impact is going to be the willingness of women to take these jobs.

Mrs. Green. I don't know whether Dr. Branson would agree with me, but that is what I think the blacks have heard for 20 years; if we could just find good blacks, we would give them the jobs. Now if we could just find good women, we would give them the jobs.

Mr. Rossey. I don't think President Hester said that, Madam Chairman.

Mrs. Green. I misunderstood then.

Dr. Hester. I am not equipped to get into a profound philosophical discussion on this question, but what I am trying to say is that I believe the institutions are trying to make places available both for blacks and women, and the success of the joint effort is going to depend on the people who are prepared to take the jobs that are now being sought, for which search committees are now looking much more broadly than they did 20 years ago.

Dr. **Shannon**. Or 3 or 4 years ago.

Mrs. **Green**. Let me say—and I say this very honestly to you—in writing the provision in the bill, I am having trouble in deciding by law how soon all women's institutions, or in fact some of my colleagues would say, whether all women's institutions should be required to accept men, and whether all men's institutions should be required to accept women? Also at those institutions which have started to accept women, such as Yale, Harvard, and others, at what period shall they be required to show absolutely no discrimination and admit women and men on the same basis? Should there be in the law, as of this year, a provision that all Federal funds are going to be cut off if there is any discrimination in any institution of higher education that shows discrimination on the basis of sex?

Very frankly, what do we do about the service academies? Some of my male colleagues argue there should be nomenclature for the service academies; that there should be no discrimination there.

I think this, very frankly, is the most ticklish part in terms of what we do without completely causing chaos in your institutions and yet where we move toward bringing more justice as far as the women are concerned.

Dr. **Hester**. May I answer your question? If there are many institutions that serve both sexes, is it an injustice that there are any institutions that wish to be single-sex institutions?

Mrs. **Green**. If we are writing the law, I would say that any institution could be all men or all women, but my own feeling is that they do it with their own funds and not taxpayers' funds. I feel exactly the same as I feel about black institutions; if they want to have a policy and they insist on it, fine; but then they will not be supported by the Federal Government.

I really feel this way. But I realize that is not going to happen in 1971, and I am not anxious to write a bill that is going to cause insurmountable problems to colleges and universities, but I do not want the 1954 all-deliberate speed.

Dr. **Cosand**. During the Second World War overseas I roomed with a chap from Virginia, and I am a Californian and we used to argue education. He attempted to convince me that no reputable female would go to a coeducational college like we had in California, but that they all went to women's colleges.

Would President Shannon, since there are a good many male colleges and female colleges in the South and in Virginia, care to comment?

Dr. **Shannon**. I think I would, yes, because I am just as perplexed by this as the Madam Chairman, since we have, to my mind, very strongly and appropriately begun to admit women to the arts and sciences at the University of Virginia.

It looks as though we are in a transition period of 2 years, and it looks as though we will be overwhelmed with applications from women and now we are going to make this adjustment, which is one of the things I am struggling with right now.

But I feel, basically, that I subscribe to your position as public policy; that it is a sound one, and that any other one is probably indefensible.

At the same time, I think there are many contributions which have been made and are being made by single-sex institutions and that there are some people who may profit by that kind of experience. One of the advantages of our higher educational system, again, has been its diversity.

I am concerned about policies that will require every institution to be like every other institution. I am very much concerned about the predominantly women's colleges in Virginia right now, and one of the things we have been concerned about is that we can see a real possibility of financially wrecking those institutions in Virginia if the University of Virginia takes all of the applicants.

Mrs. **Green**. If I may add one bit of information which turned up in the research we did last year, in the State of Virginia, under a State commission that made a report in 1963 or 1964, in the preceding 4 years, I believe it was, there were 21,000 qualified high school graduates who were girls who applied for admission in the colleges and universities in Virginia and were rejected—21,000 who were rejected.

During that same period of time not one single qualified high school boy was rejected.

I think those figures are pretty persuasive about what has been happening in this country.

I appreciate your understanding of the problems, but in terms of the contribution which all-girl colleges have made—and I certainly would say they have made great ones and, of course, most of them were established because the girls were not admitted to other institutions. I think the parallel is exactly the same as black institutions; black institutions have also made a great contribution.

But it is not a matter of national policy that because they have made a great contribution we are going to continue this and have segregated colleges on the basis of race.

Mr. **Dellenback**. Madam Chairman, without being overly contentious, making a distinction between the institution which has long in the past or recent past has become coeducational and the institution which has not made that move, I am not persuaded that we should, through Federal fiat, insist that they make it, even in the form that the chairman suggests; namely, that you can do as you will, but you will not get any Federal aid unless you become coeducational. It seems to me this is part of the college reach for homogeneity in higher education, just as we have permitted 4-year institutions and graduate institutions, in another way, to claim all of the benefits that they can from different kinds of educational institutions where the young people involved can choose the institution to which they will go and know they are not just a homogeneous mass.

It seems to me that we ought to look hard at this. As one individual I am not prepared to say that the Federal Government should force all such institutions to become coeducational institutions, any more than at that point, Dr. Branson, I am prepared to say that we should say there can be no all-black institutions, if there be great value in having such an all-black institution.

Dr. Branson. It should be in the record, perhaps, that I think that all-black institutions have a slightly different problem. I don't think any of them now discriminate in this sense. They will accept white applicants, and they certainly do.

The point is that there is a slightly different desirability. For example, while the girls are flocking to get in the places like the University of Virginia, the whites are not flocking to go to, for example, Moorehouse and places like this.

There is a difference here, and I believe the emphasis is upon continuing institutions, I think all of these institutions would be delighted to make the transition from the right, having once been predominantly black institutions, to just being American institutions irrespective of race, while at the same time Virginia and Georgia make a transition from the left, having been once exclusively male white, and having no sex distinction but accepting all people who apply and wish to come there.

Mr. Dellenback. May I proceed, Madam Chairman, to ask Dr. Shannon about his experience, or do you wish to pursue this?

Mrs. Green. I am really asking for your comments in regard to the law. Let me tell you the possibilities I am considering in terms of exemptions; that there will be no more discrimination based on sex, but with these possible exemptions: an exemption for religious institutions, which may still be all female or all male; an exemption for institutions with small enrollments; and an exemption—though some of my male colleagues could not agree on this—that would exempt service academies.

Then the other possible exemption would be for a short period of years while an institution shifts from one sex to coeducation.

I would like to have your views on this at some future time, if you wish to give them, because I predict, that the courts are going to decide before the Congress in regard to Federal funds going to institutions that discriminate on the basis of sex as they did on the basis of race.

We ought to do some planning before that day arrives.

Dr. Cosand. We will give you an opinion, Madam Chairman, from ACE.

Mr. Dellenback. President Shannon, you are in the process of transition from an all male to a coeducational institution. Based on your experience, what sort of a time frame can this properly call for so it can be done, based on your own experience, without disruptions?

Once the decision had been made, how long did you have before you began to implement it? How long do you think it will take to carry it out so there will be no discrimination between the sexes?

Dr. Shannon. It is not quite that clearcut, since we have admitted women to the uppergraduate schools since 1927. This is just to the undergraduate school.

In our own experience, we had about 2 years of study before doing this and a 2-year transition period; phasing in about a quarter of the total entering class for the first 2 years, and we expect simply to go to no discrimination whatsoever after another 2 years. So I would say 3 to 4 years, probably, if you are looking at a transition period in terms of trying to plan and in terms that there are certain fields that we know statistically women tend to major in more frequently than others. So you have to make some plans in terms of staffing in certain areas.

You have also got to do something about planning in terms of housing, because generally women are more—we expect to provide a few more accoutrements for them in living conditions.

Mr. Dellenback. Do you mean special discrimination for them?

Dr. Shannon. Not discrimination, but I think they do desire some other equipment, dormitories and the like; you have to do something for them.

So it does take a bit of time to make this shift. We have pretty much done it jerry-rigged, but the girls seem to be getting along very well, so it probably takes less time than many people think.

Mrs. Green. Would you also agree in 1971, since the trend is not to live in dormitories but to live off campus, that this creates less of a problem than it did 10 or 20 years ago?

Dr. Shannon. Well, our trend has been the other way: Everybody wants to live on the campus now.

Mrs. Green. In dormitory facilities?

Dr. Hester. That is because the girls have arrived.

Dr. Shannon. That is not entirely facetious.

Mrs. Green. There are two other areas I would like to move to. One is a proposal for the extension of the General Accounting Office to expand their professional personnel people and their expertise to do all of the evaluation and monitoring of contracts and grants that are now done in the Office of Education. Do you have any views on that?

May I expand on that a little bit? In the instance of the Office of Economic Opportunity, 2 years ago we did a great deal of study and we found that people who were in the Office of Economic Opportunity in the preceding period of time administering programs, left the Office of Economic Opportunity and then set up their own corporations and consulting firms to evaluate the programs which they formerly administered. I felt there was a little bit less than complete objectivity in that evaluating.

We have been looking at contracts in the Office of Education. I find less than a perfect system or less than a desirable system, let me say, in terms of the evaluations of contracts and grants that are awarded to institutions of higher education, individual academicians, and education associations, some of which you people represent.

It would seem to me that if we took all of the evaluation and the monitoring out of that office that gives the grants and put it in the General Accounting Office, we might have a better idea of what we are getting for our money.

Dr. Cosand. You are talking about a set of checks and balances, and I think there is need, the same as there is in a business where you have a treasurer and vice president and an outside audit firm for business services and a set of checks and balances.

It seems to me there has to be an evaluation from outside. Now, whether it is the body you are recommending, I wouldn't know that.

Mrs. Green. You have suggestions on that?

Dr. Cosand. No.

Mrs. Green. Dr. Morse.

Mr. Morse. I don't think Dr. Cosand was on our Commission when we discussed this. Quite obviously, the GAO is the appropriate body for monitoring the expenditures and questions such as whether the grant funds have been used in the manner indicated by the Congress.

Our Commission did have some concern that the General Accounting Office was really not set up, nor did it have the personnel, to evaluate the educational merits of whatever programs were being supported.

This does not say that they could not be given an additional mandate with a different kind of person employed by GAO to do this outside evaluation, but we would hope that the evaluators might be primarily in the field of education rather than in the field of cost and business accounting.

We had not ever thought of GAO as having the expertise to evaluate the educational merits of the programs that the Congress enacts.

Mrs. GREEN. Does it give you any concern that the Office of Education is increasingly turning to Litton Industries, A.T. & T., Packard-Bell, et cetera, for evaluation of what is being done in the educational community and for the administration of educational programs?

Mr. MORSE. Yes, ma'am. There has been considerable concern over this.

Mrs. GREEN. Has the Council any position on this?

Mr. MORSE. We don't have any position that we could generalize.

Dr. COSAND. We can speak to it and come back to you with a recommendation.

Mrs. GREEN. I wish you would, because I think this is an area that is one of my chief concerns.

Before I turn to the foundation, we have not touched on one part of the institutional grant, and this is the possibility of including in the bill an amount in terms of the research and the studies that institutions of higher education are doing at the request of the Government.

Do you have any recommendation on this?

Dr. HESTER. I would like to speak to it. As we all know, a number of universities have assumed a very serious responsibility, in collaboration with the Federal Government, serving as national laboratories over the last two decades and have developed a considerable capability for conducting research which is crucial to the Nation in health, in physical sciences and social sciences and other areas.

These institutions have been seriously hurt by the inflation, by the leveling off and cutback in Federal funds over the last few years. They have had to assume costs that previously were covered by Federal grants, and many of them are suffering rather severely. This is adding to the total problem of our economic position.

I think it would be a mistake for the U.S. Government to sacrifice the strength of these research centers. These are great national assets, both for training people and for conducting research.

I would like to suggest that it would be a significant part of instiutitional aid to include some percentage of the amount that institutions receive from the Government to serve as institutional funds to help them maintain the strength of these centers, particularly at a time when changes in national policy are forcing these institutions to assume costs in maintaining these centers which were developed in response to Federal initiatives.

Mrs. GREEN. Has the American Council given this a great deal of study and, if you have, have you arrived at a percentage figure that can be defended?

Dr. **Hester**. I would believe that this group would support a figure of about 5 percent of the amount that we receive in contract and training contracts.

Mrs. **Green**. Dr. Morse?

Mr. **Morse**. Madam Chairman, in our policy statement developed in 1969, we recommended that 5 percent of the funds assigned to universities for the conduct of research and training programs, that is, exclusive of fellowships, be devoted to general institutional support. That was in line with the National Science Foundation's program which related at that time only to the awards from the National Science Foundation.

We recommended a 5-percent addition to the project support.

I believe, Mr. Cosand, didn't the Carnegie Commission make a similar recommendation with a somewhat higher figure?

Dr. **Cosand**. I don't recall.

Mr. **Branson**. Does this mean an amount of money beyond the overhead figure?

Mrs. **Green**. I understand it has nothing to do with that.

Mr. **Branson**. This would be 5 percent of the total grant, irrespective.

Mr. **Morse**. Including overhead, which is part of the actual cost.

Dr. **Shannon**. I would second that, and this has been a position we have taken, and the other associations, as well as the American Council. I would second exactly what President Hester said.

Mrs. **Green**. The American Council made available to me the six alternatives, I believe, that you originally debated upon in terms of institutional grants, and that material has been made available to other members of the subcommittee.

From your testimony this morning, I want to be sure that I understand it correctly that it is now the position of the group at the table and the American Council that institutional grants—and I believe you have recommended a figure—should be $100 for a lower division and $150 for an upper division and $250 for master's degrees and $400 for Ph D. and 5 percent of the total amount of the research grant in graduate schools; is that correct? Does that sum it up?

Dr. **Cosand**. Yes, that would be correct.

Mrs. **Green**. This will be weighed against the testimony which you, yourselves, have given and which Dr. Cheit gave.

Mr. **Branson**. I should say the National Association would not endorse those figures, Mrs. Green. We would endorse the ones which you have mentioned earlier.

Mrs. **Green**. I did not understand, Dr. Branson.

Mr. **Branson**. I don't think we could go along in terms of what the national needs of higher education are at the present time with those specific amounts. They would tend to exacerbate the differences and balance and support which we now see. But I think we would discuss them.

Dr. **Cosand**. I think, Madam Chairman, as we talked this morning, these figures could be acceptable with some weights. Now, you didn't mention the weights.

Mrs. **Green**. Thank you, Dr. Cosand. I do agree with the suggestion that there be a weighted factor in terms of the first 200 students and the second 200 students—that they would be counted at a higher figure.

Mr. **Branson**. To the extent that it will meet the balances we could support it.

Mr. **Rossey**. Madam Chairman, I think we should be reasonably clear when we make this proposal. This is a basic proposal, and it does not include the add-ons, special services to disadvantaged or special recognition that must be given to start-up programs, and things of this sort.

I think we would be in grave danger if we began to take away from the basic aid program in substituting some special programs. I think we have to be clear in understanding each other in that these are add-on programs to the basic proposal.

Mrs. **Green**. To the provisions that are in the bills at the present time?

Mr. **Rossey**. Yes, I do include that.

Mrs. **Green**. Mr. Dellenback, do you have questions on the Foundation?

Mr. **Dellenback**. May I ask a question or two along the last line of questioning?

Mrs. **Green**. Certainly.

Mr. **Dellenback**. This set of figures you just made reference to, have you run any computations as to what that would amount to in a total appropriation were it to be funded in that amount?

Mr. **Morse**. If I may expand on my answer to Mrs. Green, we not only prepared those first six formulas, but we worked out two additional formulas of our own.

We did take a look at Mr. Quie's bill that would relate to degrees, and then we worked on the formula which Mrs. Green has mentioned.

We were giving different weight to different factors. Mrs. Green is quite right that the weights we gave at the outset were 1 to 1.5 to 2.5 to 4.

We have not done an analysis of what would happen if you gave special weight to the first 200 or the first 400 students.

We did do an analysis, which we could make available to you, where we gave a different weight, or an additional weight, for students who were eligible for the opportunity grant program and the work study program.

Now, we have that analysis and we could do another analysis, which would probably take us a week, based on giving weight to the size of the student body, as opposed to weight to the disadvantaged. We could work that out.

Mrs. **Green**. Would my colleague yield?

Mr. **Dellenback**. I would be glad to yield.

Mrs. **Green**. I have asked for an analysis of this, and it is my understanding that if we provided institutional grants of $100 for lower division, $150 for upper division, $250 for all graduate work, and a weighted factor of $300 for the first 200 students in any institution, $200 for each of the next 200 students in any institution and the 5 percent. it would come to just under $1 billion. For the next year, it would probably come to $1.3 billion.

Mr. **Morse**. I just realized I did not answer.

Mr. Dellenback. It is because we did not have this rough estimate to which Mrs. Green has alluded, and she made the point that 5 percent was not included in this $1 billion. What we were hoping for was a figure from your own studies which would either corroborate or set a point of departure.

Mr. Morse. I lost the point of your question. We came up with our calculations on the formula I have just described, which came to $980 million, including the 5 percent.

Dr. Hester. The 5 percent adds about $170 million.

Mr. Dellenback. There would be some distinction between your figures and those of the Office of Education. Yours, inclusive of the 5 percent, is about the figure that OE has given to us exclusive of the 5 percent. So you are a couple of million dollars off.

Mr. Morse. We were giving the extra weight to the disadvantaged students whereas the formula that Mrs. Green has just been discussing gives the added weight to the first 400 students in every institution. That is a larger number than would be the number of disadvantaged students, probably.

I think that must be the reason for the difference, or else our computer is bad.

Mr. Dellenback. If you do have any other studies or computations of what these various formulas that you have laid down would yield in the way of figures as to the total costs, I would again welcome them and would ask that you supply them to us and they will be made a part of the record. (None supplied.)

Mr. Morse. One factor, I think, we would find impossible to calculate until the colleges have all been warned that they must submit it. We can calculate on the basis of credit hours total, because that is available. We can't calculate at the moment the number of credit hours passed or successfully completed, because the data has never been collected, as far as I know.

Mr. Dellenback. You are talking about the credit hours that would be available, the number of hours?

Mrs. Green. In asking the Office of Education to do this, it was on the basis of credit hours earned, a full equivalency, in other words; but not on the number of bodies that were present in the institution.

Mr. Dellenback. My own feeling on the question of what we do in the way of institutional aid is less of a tie to degrees; it is a tie to accomplishment as opposed to simple enrollment. So whether we use credit hours or whether we use degrees obtained, or whether we use some mix of them or some other alternative, if there be one, it is a case of work actually done, accomplishment reached.

Now, when you, Dr. Morse, referred to your study, were you talking about credit hours actually completed or the number of enrollees at the beginning of a semester in so many credit hours?

Mr. Morse. The data we had to use, Mr. Dellenback, were the reports available from the Office of Education on full-time equivalent students. It depends on whether you count those in the middle of a semester or at the end of a semester to know what you have. I suspect they are counted a month after registration, in which case you don't know whether they are going to complete the program successfully or not.

Now, these data would not be hard to collect once the institutions knew that they were expected to submit them.

Mr. **DELLENBACK**. And once they knew the purpose.

Mr. **MORRIS**. Yes, sir.

Dr. **COSAND**. I would like to say, Mr. Dellenback, that when we build a budget for the next year, which we are now in the process of—our board meets Thursday night on our budget—we build it on the basis of the anticipated enrollment in credit hours, not credit hours earned, because we still have to have enough staff to teach the students who come.

As I understand it from Madam Chairman Green, the assistance would be on the basis of credit hours earned. Now, you mentioned a point about degrees. We would argue against assistance on the basis of degrees earned, particularly in an urban situation where many, many of the students come for career programs and they drop out before they complete because they get a job. So the certificate is never obtained; the degree is never obtained, and transfer students do not get a degree lots of times. They go for one or two or three or four or five semesters. So for the credits earned, we would go with the recommendation which you have brought forth.

Mrs. **GREEN**. Let me say again that it is my understanding that the Office of Education did make this estimate on credits earned. Somehow at their Department they have the satistics on credits earned which would be based on the preceeding year that any institution would get this.

Dr. **COSAND**. When you talk of "preceding year," there is a problem not for the college which has plateaued enrollmentwise, but it is a real problem at the colleges that are growing at 25 or 30 percent a year. What we are doing is having to catch up. This does create a problem.

There is a way around it, which is to make an estimate and reconcile it at the end of the year. This is done in many States for State aid, where reconciliation is made on the figures that are factual.

Mr. **DELLENBACK**. I don't mean to be speaking just as to a degree for a measure; it is a case of accomplishment versus simply how many names do you get on the roll at the beginning of the semester.

Dr. **COSAND**. I think the credits earned.

Mr. **DELLENBACK**. That is why we are trying to reach something along this line.

Is there anything in the community colleges that is even one step away from credit earned? We have the degree as one measure of accomplishment. Then we have credit earned as a second measure of accomplishment. Is there some other measure of accomplishment without credit actually earned?

Dr. **COSAND**. Yes, sir; there is. I think this is true of all colleges. It has to do with short-term seminars and things which are put on for the community or businessmen's groups. This is not really credit earned. I suppose you can tack credit on it, but it becomes rather farcical.

Mr. **DELLENBACK**. But under those circumstances, you don't give credit for those things?

Dr. **COSAND**. I think most 2-year colleges do this sort of thing.

Mr. Dellenback. I don't know whether 4-year institutions have a similar type of thing that ought to be cranked in somehow when we go to set up what is an equitable formula, but we can add refinements to it, because I think it should be kept relatively simple. If you get too many applications———

Dr. Cosand. You are talking about a community-type service program when you are talking about this. This is a big function of an institution. Now, what many colleges do—and I don't subscribe to this, but they do it out of necessity—is make it on the pay-as-you-go basis with a fee, and so the student pays.

That is one solution, and I don't recommend it for urban areas, in particular, where you have a great many people who simply cannot pay the fee. So this is a problem. It is not credits earned; it is a community service workshop.

Now, you have in the proposals funds for community service work, and I feel this is an extremely important item if we are to do these things and not say, "Well, we won't do that, then, because we don't get funds and, secondly, the students can't pay, so we just don't do that."

Mrs. Green. Dr. Hayes?

Dr. Hayes. Besides the erdeit enrollment and also besides the community service activities, there does fall a considerable quantum of noncredit enrollment in the community colleges. The figures I have just been given by the AAJC last night indicate in 1969–70, of 81 colleges, 71 of which were the public comprehensive colleges, 98,000 were full-time credit enrollment, 88,000 were part-time enrollment and 61,000 were noncredit enrollment.

This type of work can be evaluated for what it is in career education and in job training or in the occupations, and what kind of equivalents can be given to it, according to academic credits as we are acquainted with them.

It would be my recommendation that this kind of a credit should be included in your definition, and I suppose that is the recommendation of this panel, also.

Mr. Dellenback. Do the 4-year institutions, Dr. Shannon, when we were talking about this earlier, have somewhat similar type of involvement?

Dr. Shannon. Most of us do, and the major universities do, in the large extension programs which involve these community services, the workshops, and also the noncredit adult education.

Mr. Dellenback. Then it would apply not only to the community colleges, but also to 4-year institutions?

Dr. Cosand. That is right.

Mr. Dellenback. Do you have a way to give us a measure on this so that if we were to give some consideration to the formula there would be a way to crank this in. That is a very substantial percentage of the total figures that you have just read, Dr. Hayes. If you are talking about 60,000 versus 80,000 versus some 90,000, you have a substantial figure.

Dr. Cosand. We could do this in terms of an evaluation of credits, but to say to these people who are taking this, "We are going to give you credit"——

Mr. DELLENBACK. We are talking about a method of Federal distribution of funds rather than a method of forcing you into a credit——

Dr. COSAND. We could evaluate it in terms of credit as an educational procedure.

Mr. DELLENBACK. If we have some further thinking along this line, which we should have, we would appreciate getting it from you.

Dr. SHANNON. We don't have any systematic means of doing it at the moment, so we would have to come up with something.

Mrs. GREEN. Dr. Hayes?

Dr. HAYES. I was just considering this as a parallel to an observation Mr. Dellenback made a moment ago. When the incentives are there, we would find a means of reporting it.

Mr. DELLENBACK. We would hope that perhaps you might consider some mild incentives being involved in this, and perhaps if you would give it consideration, it would be helpful.

Mrs. GREEN. If there are not the total amount of funds which you would like for institutional grants, would you just as soon not have that incentive and divide the funds up on the basis of credits earned?

Mr. DELLENBACK. It depends on whether you are a community college or 4-year institution.

Mrs. GREEN. But you would all get the same amount relative to this.

Dr. HESTER. We have one of the largest adult education programs in the country, and this thought had not crossed my mind. This is something we are going to have to think about as individuals and as associations, because it does raise a very serious question. It is something that the institutions do for the public and continuing education is on the cutting edge of development of higher education. To ignore it would seem to be very shortsighted.

So I think we have to go back and consider this ourselves.

Mrs. GREEN. I do not recall in your testimony that you discussed branch colleges. May I suggest, also, that you might think about language in this, because I find this very difficult.

If we do have institutional aid and a branch college is one that is going to be in operation in our State very soon, a branch college of a community college which will have 150 students in it, I do not see how we could have a formula that would be fair to give all of those 150 students $300 per student.

Yet, in Indiana where they do not have community colleges, but have branch colleges of 5,000 students, there must be language that is going to treat one fairly and not be forced to give money to every single branch college.

So you might think of that, also.

Dr. COSAND. Dr. Ostar wanted to take the other things, because he said the organizations were working on this thing.

Dr. OSTAR. A number of organizations led by the National Extension Association have been working for about 2 years on the development of some kind of a unit of measurement of adult education activities. I would be glad to send you that information.

I think that now all the organizations that are concerned with adult education activity, continuing education activity, have agreed on some kind of a unit measurement for that purpose. I will be glad to submit those.

Mrs. **Green**. Congressman Dellenback, shall we turn to the Foundation, or do you want to pursue this?

Mr. **Dellenback**. I am very much interested in any further comments that might be forthcoming from any of the members of the panel on the proposed foundation.

First of all, in the statement your sentence in the third paragraph:

> We see no conflict or overlapping between the proposed foundation and proposed institute for education.

You go on further and talk about borderline areas. But, essentially, you feel this way?

Dr. **Cosand**. We feel this way, yes, sir.

Mr. **Dellenback**. You don't feel if we go the road of the institute we should not go the road of the Foundation because they would be overlapping each other?

Dr. **Cosand**. We think they can work together. We think there would be some overlap in research. We have talked about that at great length, and I would like to refer your question, again, to the person who has tried to put our thoughts together as well as possible.

Dr. **Kidd**. In thinking about this, Mr. Dellenback, we first realized that most of these organizations that are established will deal with education and, therefore, inherently they are related and inherently they have to work with each other and deal with areas where there are impingements.

Now, as we understand the central mission of the two organizations, the institute is basically a research oriented organization. It would concern itself with the acquisition of new knowledge related to the learning process, to motivation, all inquiries related to the educational process.

This would, in all probability, be related heavily to primary and secondary education, but not exclusively. There are research problems related to higher education as well as to primary and secondary.

As we see it, this research would be carried on through the institute, both through the staff of the institute and through grants and contracts—in all probability, in relatively small pieces of research grants and research tasks at the beginning and middle and the end of the project.

On the other hand, as we envisage the Foundation, it would be engaged in financing substantial larger scale innovative efforts in higher education. The task there would be to select largely on the basis of initiatives from the educational community those sorts of new undertakings that would have promise as innovative efforts.

These would be, for the most part, quite extensive and expensive. They would come in much larger pieces than the research undertakings. These innovative efforts would not be research in the sense of seeking for new knowledge through the standards investigative process, but rather the establishment of innovative efforts designed to indicate the feasibility and desirability of new ways of going about various aspects of higher education.

Now, there would be a degree of overlap in the research function, because it would seem unwise to spend tens of millions of dollars, or perhaps a budget of $100 million, without examining with great care whether these experiments work.

There would be, it seems to me, inherently built into such a thing a very careful process of evaluation which, in a sense, is research, research of a different character than that which would be carried on by the institute.

But those, by and large, seem to be the related, but differentiated, tasks of the two organizations.

Mr. Dellenback. The first point you make, Dr. Kidd, when you first refer to the distinction, I think this substantially accords to what I interpret the bill as calling for and, indeed what the administration considers forming in their separate modes of the institution and Foundation, and it would be against that background you would express your approval.

You make this point from our own individual analyses, that you do not see these as conflicting with each other.

The thrust behind my question is that that has been raised by a member of the subcommittee, seeing that one sort of overlaps the other and there isn't a clean line of distinction, and he sort of wonders about whether or not we should go both ways.

Dr. Kidd. We see no conflict. On the other hand, we see a need for close relationship between the directors and the two staffs of the organizations and perhaps an exchange of work through an exchange of funds.

Mr. Dellenback. But as you testified, you see them as thrusting in different directions; not primarily overlapping or duplicating, but primarily supplementing and complementing each other in their functions.

Dr. Kidd. That is correct.

Mrs. Green. May I interrupt? We have kept you for a long time. If any of the panel would like to be excused——

Dr. Cosand. President Rossey would like to be excused.

Mrs. Green. President Rossey, thank you for being here.

Mr. Rossey. Thank you, Madam Chairman.

Mr. Dellenback. I have very little more. I would just ask for any specific comment that anybody on the panel might seek to make on these proposals for modification of what is in the bill itself, because in reading over your testimony, Dr. Cosand, there are clearly some major changes that you suggest, in suggesting that the Foundation be given an authority to set the policies and the priorities of the Foundation, which would be explored.

Second, the composition should be spelled out more fully. You have set forth some criteria of eminence in the field of higher education or public affairs, selected solely on the basis of established records.

Third, the election of the Chairman by the Board.

Fourth, the authority of the Director being greater than it is.

Also, you talk about the questioning of the Foundation.

Would there be anything you want to emphasize for the record and for those of us on the subcommittee on those proposed changes?

Dr. Cosand. I might comment briefly on it. The wording in the proposal says one thing. Secretary Richardson's testimony said another, really. In other words, the reporting through the Commissioner, which is in the proposal, states pretty much that the Commissioner might well have direction over this whole unit.

Secretary Richardson pointed out that this would not be so, that there would be a collegium aspect to this, and that there would not be this kind of control from the U.S. Office of Education.

I think the concern, putting it simply, is that this body should be as free as possible from the direction of the U.S. Office of Education, and yet at the same time—you used the words awhile ago, supplemental and complementary. There should be an in and out discussion here, and one of the ways to do this is for the U.S. Commissioner to be an ex officio member of this body, and that is in our proposal.

I think for the National Foundation to do its job, it has to have the eminence of people like—for example, on the Carnegie Commission. We would not anywhere at all have come to some of the conclusions we came to without the representations of the lay community, Governor Scranton, and so on. There are four people who have contributed greatly, and they are eminent individuals and they have spoken up.

I think this is what we are talking about here, an eminence inside and outside of the educational community, and making it be able to establish policies, and for the director himself or herself to be able to carry these through and work with the Secretary and work with the U.S. Office of Education but not be subject to direction from the USOE. That is what we were trying to get through on these changes.

I would like, very much, for the other members of the panel—because they are as concerned about it, certainly, as anyone—to speak to this.

President Hester?

Dr. HESTER. I would certainly endorse that concept. We need something that brings the best thinking in the country to bear on education, free from any particular philosophies that may be dominating the Office of Education at any point. It should be, while it is related to the Government and working so support the President's policy, also something that represents the best thinking of an independent group.

Dr. COSAND. I would like to say that the higher education community has been negligent, I believe, in coming forward with proposals and support in these areas.

I would hope that in addition to this testimony that there would be more specificity in some recommendations from the higher education community, from the American Council and other groups.

Dr. Kleckner?

Dr. KLECKNER. I couldn't agree with you more.

Dr. COSAND. President Shannon?

Dr. SHANNON. I think these changes, just to underline them, would make a great deal of difference, and these specific ones, without going any further, President Cosand, would be very important to have on the record.

Mrs. GREEN. If this is to be funded at $100 or $200 million, would you make a cut back in the grants that are given by the Office of Education many of which are at the present time for the same purpose? Would you have the Office of Education making grants, too?

Dr. COSAND. I think it would be wrong to have duplicative efforts. I have always felt that, again, this input that I talked about by having the U.S. Commissioner an ex officio member of this body would preclude against the duplication, hopefully.

I would be against the duplication. I think that would be foolish. We don't have that kind of money.

Mrs. Green. How do the rest of you feel? Do you agree with that? So we could cut out that provision that they would give grants for that purpose?

Dr. Hayes. Madam Chairman, I belivee a period of transition would certainly be called for, and for the solution that you described, this is the one that I would recommend.

Dr. Hester. If you have one national body studying higher education as the focal point of national thinking, I don't think you want to duplicate it.

Mrs. Green. In the bill last year they suggested phasing out certain programs in the Foundation as their purposes changed, but are there any programs that are authorized at the present time that you think might be terminated as the Foundation comes into existence?

Dr. Cosand. I wouldn't want to answer that right now. Again, we could come back to you along with other recommendations in this.

Dr. Shannon. We felt there was a serious danger in the notion that these would be subsumed by the Foundation. I think we have to be very skeptical of that in the transition period.

Mrs. Green. What about title VI in the International Education Act, would you combine that?

Dr. Cosand. Combine it with what?

Mrs. Green. The other.

Dr. Hester. I am in favor of both.

Dr. Kidd. I might say a word on that, Madam Chairman.

Mrs. Green. Yes.

Dr. Kidd. I believe that within the community of higher education those international programs have been a continuing operation, a continuing responsibility of the Federal Government because of the significance of that area of study to the national welfare.

The stance we took last spring was that programs of an operating character, which are well established, which, so far as one could tell, continue on into the indefinite future, should be financed outside the foundation as operating programs within the Office of Education, and that the focus of effort of the Foundation should be an innovative effort rather than those of the continuing operating——

Dr. Hester. That was not your question, was it?

Mrs. Green. No.

Dr. Hester. She was asking whether the international education should be combined with title VI.

I would take the first part of his answer, which is that title VI is now part of our operating base of operations, and the International Education Act not having been funded is not—and I would hate to jeopardize something on which we are heavily dependent by combining it with something that would not be funded.

Mrs. Green. The other alternative is that there might be more money and the International Education Act might get some money.

Dr. Hester. If that is a real possibility, then I would be personally inclined to support it. But it would be a tragedy to cut title VI any more or jeopardize it, because it is important not only to the universities but to the whole country to have these experts.

Mrs. GREEN. I think there might be other questions that will arise, and we will probably direct inquiries either to ACE or you as individuals. I really want to express my thanks to each and every one of you for the tremendous amount of work that you have put into this joint presentation and probably some compromises that might have been painful. You have been very helpful, as helpful as any panel has ever been.

Mr. DELLENBACK. If I may add a word to that, this has been most profitable time spent in eliciting testimony that has been constructive, in the opening discussion, and the length of time we have been able to utilize has made a very real contribution. So I hope you feel that coming back in the afternoon has been worthwhile. From our standpoint we felt it was worthwhile.

Mrs. GREEN. We will recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:10 p.m. the subcommittee recessed, to reconvene for further hearing at 10 a.m., Wednesday, March 31, 1971.)

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HIGHER EDUCATION AMENDMENTS OF 1971

HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 32, H.R. 5191, H.R. 5192, H.R. 5193, and H.R. 7248

BILLS TO AMEND AND EXTEND THE HIGHER EDUCATION ACT OF 1965 AND OTHER ACTS DEALING WITH HIGHER EDUCATION

PART 2 and APPENDIX

HEARINGS HELD IN WASHINGTON, D.C., MARCH 31; APRIL 6, 21, 22, 23, 28; AND JULY 23, 1971

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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HIGHER EDUCATION AMENDMENTS OF 1971

WEDNESDAY, MARCH 31, 1971

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:25 a.m., in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Quie, Dellenback, Erlenborn, and Steiger of Wisconsin.

Also present: Harry J. Hogan, counsel for the subcommittee; and Robert C. Andringa, minority legislative associate.

Mrs. Green. The subcommittee will come to order, for the further discussion of higher education legislation.

I express my apologies for our lateness. The Democratic caucus is still meeting, with some very important matters before it.

Our first witness this morning will be Stan C. Broadway, the president of the National Council of Higher Education Loan Programs.

Mr. Broadway, we welcome you to the committee.

STATEMENT OF STAN C. BROADWAY, PRESIDENT, NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS; ACCOMPANIED BY VINCENT J. MAIOCCO, CONNECTICUT STUDENT LOAN FOUNDATION; JOSEPH COSGROVE, MASSACHUSETTS HIGHER EDUCATION ASSISTANCE COMMISSION; EDWOOD D. HOLLISTER, JR., EXECUTIVE DIRECTOR, NEW YORK HIGHER EDUCATION ASSISTANCE CORPORATION; MRS. CAROL WENNERDAHL, ILLINOIS GUARANTEED LOAN PROGRAM; RICHARD W. PETRIE, LOUISIANA HIGHER EDUCATION ASSISTANCE COMMISSION: THOMAS L. BURCH, UNITED STUDENTS AID FUND; RICHARD JOHNSTON, WISCONSIN HIGHER EDUCATION AIDS BOARD; DAN PAYTON, GEORGIA HIGHER EDUCATION ASSISTANCE COMMISSION; MR. ROBERT McCORMICK, D.C. STUDENT LOAN INSURANCE PROGRAM; KENNETH REEHER, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY; COLONEL JAMES MORRIS, ARKANSAS STUDENT LOAN GUARANTEE FOUNDATION; AND MRS. DEL TYSON, ARKANSAS STUDENT LOAN GUARANTEE FOUNDATION

Mr. Broadway. Thank you very much, Madam Chairman.

We have members of our executive committee with us and I would like for as many as possible to join me at the table and in the front row.

Mrs. Green. Yes, please, and will you introduce your colleagues, too, Mr. Broadway?

Mr. Broadway. Mr. Maiocco ~~of Connecticut; Mr. Cosgrove of~~ Massachusetts, Mr. Hollister of New York; Mrs. Wennerdahl of Illinois; Mr. Petrie from Louisiana; Mr. Burch from the United Student Aid Fund; Mr. Johnston, Wisconsin; Mr. Payton from Georgia; Mr. Reeher from Pennsylvania; Mr. McCormick from the District; Colonel Morris and Mrs. Tyson from Arkansas. I think that is our group.

Madam Chairman, members of the committee, it is always a privilege for members of the national council to appear before this committee. The council is composed of the directors of 24 State and private nonprofit agencies who administer the guaranteed loan programs in their respective States. These agencies have guaranteed approximately $2 billion in insured loans since the inception of this program in 1966; 2 out of every 3 dollars in guaranteed loans are now insured by the agencies which comprise the council.

We had the privilege of appearing last year before this committee to discuss the Higher Education Act of 1970 (H.R. 16621). At your kind invitation, we have returned to share with you our views on the somewhat changed legislation, the Higher Education Opportunity Act of 1971 (H.R. 5191). Our formal statement is purposefully brief for we hope to be able to respond to your questions. We also have information not contained in our presentation regarding the default experience in several of the larger States.

There is something of a dilemma for us as we have reviewed this legislation and we find ourselves in the position of repeating many of the concerns we shared with you last year. At that time we recommended that further study be given to the problem of providing a sound, balanced and equitable financial aid package for students. We also recommended that the three existing college-based programs be funded at a more adequate level and that the guaranteed student loan program be continued through the use of commercial lending institutions. It is difficult for us to make recommendations this year that are essentially different from those of last.

Philosophical considerations and student air reform: Our council is in complete support of the President's goal "that no qualified student who wants to go to college should be barred by lack of money."

As a nation we have discussed this topic at considerable length in terms of its adoption as a national goal, but, as we are all aware, much remains to be done to assure its reality. We support the concept in this bill that every needy student be provided an assurance, a "floor of Federal student aid support." The debate is not over the objective but rather over the best way to achieve it.

Again this year the council applauds the desire of the administration to solve a number of problems which exist with the programs currently operating. It has been suggested that the proposed bill, H.R. 5191, would solve most of these problems by providing adequate availability of funds, expanding the loan program drastically, eliminating the open-end expenditure of the guaranteed loan program on the Federal budget, reducing the uncertainty of students about how much and in what forms student aid is available and by providing equity in the distribution of Federal student assistance funds.

Clearly, the council accepts these as worthy objectives to be pursued, but we have sincere and persistent reservations that the strategies for achieving these goals are not present in the act as it is not structured. Nothing has led us to believe, even after thorough study of the bill and the illustrative materials provided by the administration, that the guaranteed loan program will be able to continue to provide a volume consistent with our current level—$817 million during the first 8 months of fiscal year 1971—of activity if these measures are adopted.

Let us make it clear that this council does not come before the committee today merely to defend the status quo. We do, of course, have special interests in our programs, that is natural, but the goal of every agency represented here is, first of all, to provide as much financial aid to students as is needed to allow them to acquire the maturity and skills necessary for life in another century. If we are convinced that another program can accomplish that goal more readily and completely than ours, we would, as a council, support it wholeheartedly. That conviction, however, does not represent our thinking about the proposals suggested in H.R. 5191.

Our departures of view are largely technical rather than philosophical.

The following objectives in the bill are favored: (1) the concept of a Federal floor of student aid to every needy student as an assurance to that student; (2) the capacity to establish the concept early in the educational experience of every American that the future is limited only by imagination and desire to achieve; (3) the increase in grant/work study funds of $242 million in fiscal year 1971; and (4) the targeting of resources to assure that every needy student is aided.

A look at the current record: Federal and State guarantee programs have grown from $77 million annually—48,500 loans—in student loans in fiscal 1966 to $840 million annually—921,896—loans in fiscal 1970. Through March of fiscal 1971, $817 million has been made available to students.

In our testimony last year we noted the interrelatedness of the three college-based programs with the guaranteed loan program. That is, to the extent that education opportunity grants (EOG), the national defense student loans (NDSL), and college work study funds do not meet the needs of financially needy students, the guaranteed loan program moves toward that level of unmet student need.

To illustrate that point, we again note that the most recent Office of Education figures on the guaranteed student loans program by income distribution show that 66 percent of the recipients are coming from families with adjusted incomes of $9,000 and below. The 5-percent change—in 1970, 71 percent of student loans went to students from families with adjusted incomes of $9,000—is probably attributable to inflation which has caused more middle income families to seek this type of educational relief to help defray the cost of education. There is every indication that lenders have continued to discriminate in favor of the more needy students.

Yet, the program has also served the middle income class, as difficult as that term is to define. The Office of Education has stated before this committee that the 1969 median family income was $9,433. The range between the median and the base of the top quartile of family income is $9,433 to $13,499. As you can see in table 1, we have listed here slightly less than 30-percent of GLP loans that have gone to families with adjusted incomes within that range.

If we wish to use that range as some definition of middle income or middle class—chart presented in testimony by Office of Education before House Special Education Subcommittee:

TABLE 1.—DISTRIBUTION (IN PERCENTAGES) OF LOANS, BY FAMILY INCOME (FISCAL YEAR 1971)

	Adjusted	Gross
0 to 2,999	24	11
3,000 to 5,999	20	12
6,000 to 8,999	22	17
9,000 to 11,999	19	20
12,000 to 14,999	11	19
15,000 and over	4	21

We believe the proposals contained in this bill would have the effect of shifting the responsibility for this type of student credit activity from the commercial lending institution to the college, an institution which we believe is not appropriately equipped nor especially desirous of entering into large-scale financial transactions of this type.

We will not comment in detail about the mix of grant/work study arrangements suggested by the bill, but rather focus our attention on what we believe will be dwindling participation by commercial lenders.

As we have discussed the proposals with them, they have expressed complete disenchantment over the thought of making "subsidized" and "nonsubsidized" loans in small amounts of approximately $400 per year, in the subsidized area, extending repayment over as much as 20 years and providing extension clauses that when sequentially added to the repayment period plus the in-school period would allow a student who first borrowed at age 17 to complete repayment just 9 years prior to becoming eligible for social security benefits.

In effect, this bill proposes to create an NDEA-type loan program which would be centered in the colleges, financed from the private money market and either administered by the colleges or by the National Student Loan Association (NSLA).

We have doubts that commercial lenders will respond favorably by purchasing participation in NSLA. Obligations of NSLA will have to be at least as attractive and probably more so than any other Government security.

This is an effort to transfer the funding of student loans from the Federal budget to the private money market. NSLA is structured in such a way as to give preferential treatment to colleges, in effect requiring them to become lenders as a precondition to participation in the other programs.

The council's experience, and indeed that of the Federal Government with the NDEA program, is that this is not an appropriate role for educational institutions. You will undoubtedly hear conflicting testimony on this point. We will leave that part of the discussion to our colleagues from the colleges.

Taking a look at some pragmatic considerations: As we understand the bill, there would be three categories of insured loans: (1)

resource equalization loans of a probable limit of $400 to be made by the educational institution—from funds created within NSLA—or commercial lenders; in the event of the educational institution it would be from funds created by NSLA; (2) cost of education loans to be made only by an educational institution with a limit of $1,500 carrying an interest subsidy similar to the resource equalization loans; (3) nonsubsidized loans made to "nonneedy students" by commercial lenders with accrued interest deferred and added to principal and amortized over the repayment period.

This might mean, for example, that a single student could obtain a resource equalization loan from a commercial lender—$400—a cost of education loan from his educational institution—$1,500—and a nonsubsidized loan from another commercial lender—$600, perhaps without the knowledge of either of the other two parties, for a total of $2,500 from three separate sources.

At payout time, all must be repaid simultaneously. This example may be an anomaly but it serves to illustrate the extreme complication which can result in further confusing an already intricately involved program.

The most common complaint about the current guaranteed loan program is not rate but the program's complexity. Savings and loan associations have documented their reluctance to participate in an article appearing in the March 1971 Savings and Loan News. If installment credit personnel in commercial banks have had trouble administering the current program, most lenders—especially colleges—would find the proposed loan program infinitely more complex. We should keep it as operationally simple as possible.

We believe the impact of this bill would have the following effects: (1) it places far too heavy emphasis on borrowing as a means of educational finance; (2) it effectively curtails the private lender/student aid partnership we have so carefully built over the last few years; (3) it engages educational institutions in large-scale lending, an activity for which they are not suited nor adequately staffed to accomplish; and (4) it results in a substantially diminished participation on the part of commercial lenders. The estimate of $1 billion in nonsubsidized loans from the commercial lending resource seems to us to be unrealistic.

RECOMMENDATIONS

After examining carefully the administration's bill which is largely unchanged from last year, we remain convinced that the proper approach to the Federal Government's involvement in the student assistance programs is adequate funding of the existing three college-based programs (CWS, EOG and NDEA) and the continuation of the additional resources of the guaranteed loan program from the private money market.

The Council therefore makes the following recommendations to the committee:

(1) that since current programs expire in June of 1971, a continuation authorization of 2 years should be enacted during which time Federal and State Governments should work cooperatively to develop balanced and equitable financial aid programs to com-

plement each other in the light of clearly established and agreed upon policies;

We recommend, for example, the concept of an "incentive act" which would encourage the creation of comprehensive student assistance programs in all States where they do not exist. The task of removing financial barriers to higher education should be a joint venture of the States and the Federal Government. Such an "incentive act" might be regarded as a specialized form of revenue sharing, if you wish to look at it in that way:

(2) that during this 2-year continuation period the existing programs be funded sufficiently—$575 million in EOG and CWS or the authorized level of Federal spending requested by the administration—to enable the colleges to assist every needy student in having sufficient parental and self resources to meet educational costs;

(3) that the guaranteed loan program continue to be a subsidized student loan effort funded through the country's commercial financial institutions and available on terms now provided for in existing legislation.

One brief comment, Madam Chairman and members of the committee, with respect to a secondary market: We have appeared before this committee on several occasions to urge the Congress to adopt a secondary market which would provide needed liquidity for commercial lenders. As lenders have continued to make student loans, their loan portfolios have grown considerably. Student loans even under our existing programs are long-term investments. As each suceeding class is added, the lender finds the necessity of liquidity relief becoming more acute since student loans are made far more quickly than they are repaid. We remain convinced that a secondary market is needed although prevailing economic conditions have made that case less convincing than when we were here in July of 1970.

The National Student Loan Association is far more than a secondary market. Clearly, the provision to accommodate the funding of loans made by educational institutions first gives preferential treatment to that category of lending. Only after the needs of "eligible institutions" have been met will NSLA be able to deal in loans from other sources. If the Congress wishes to continue the guaranteed loan program, we recommend that a secondary market designed to provide immediate liquidity relief to commercial lenders be created.

We have a number of suggestions to make about the proposed program changes that would alter the program now and as we have often done, to conserve your time, we have appended our rather technical comments to our formal presentation as an attachment.

(The document referred to follows:)

REACTIONS TO SPECIFIC PROGRAM CHANGES FOR "SUBSIDIZED AND NONSUBSIDIZED" LOANS IN H.R. 5191

PROPOSED

Remove the 7% interest rate and allow the Secretary to prescribe a maximum "market rate" which could change from time-to-time (from one loan to another).

COUNCIL SUGGESTION

We urge the maintenance of a fixed interest ceiling (7%) while the student is in school or deferred loan status. Allowing a fluctuating rate would cause great confusion and likely mutiny among lenders since a student borrowing five times during his schooling might have five different rates.

PROPOSED

Repeal the interest subsidy and special allowances under the existing program on loans made after July 1, 1971.

COUNCIL SUGGESTION

We urge the maintenance of the interest subsidy payments on subsidized loans during the in-school and deferment periods. Our reasons are: (1) to prevent the high accumulation of interest to students not in a position to make periodic interest payments during the time in school. (2) to prevent the creation of another class of loans which would result in high lender attrition and 3) to prevent lender withdrawal from a program in which *no* income activity occurs in the loan account during a period of 5 to 7 years.

PROPOSED

On loans made after June 30, 1971 the interest subsidy would be paid at a rate prescribed by the Secretary on subsequent loans of certain amounts determined by student need when made by the college, commercial lenders, direct state lenders or NSLA (suggested limits of $400 per loan). The interest subsidy would be paid by the Government while the student is in school, and all over 3% would be subsidized following maturity.

COUNCIL SUGGESTION

We do not believe it wise to revive the matter of partial subsidy during the repayment period. In addition, certainty of payment of interest while the student is in school is essential if lenders are to be expected to meet loan demand. Consider, for example, the situation of a student repaying a $2500 loan, $400 of which was granted on the basis of need and thus providing a subsidy during the repayment period. This involves extremely complex bookkeeping procedures if the student has already borrowed under the existing programs with multiple rates, "special allowance" and outstanding loans from several sources.

PROPOSED

Authorize guarantee of "non-subsidized" loans with no interest payable by the Government, and increase the maximum *combined* loan limit to $2,500 per year, for 7 years of study, for a maximum loan limit of $17,500.

COUNCIL SUGGESTION

Maintain the present loan limit for "subsidized loans" of $1,000 to $1,500 per year, and a maximum student loan limit on "subsidized loans" of $7,500. Although the Council recognizes the need to provide increased maximum borrowing levels because of sharply rising educational costs, we are clearly concerned that students may, under the suggested changes, incur educational indebtedness of as sizable proportions as a mortgage.

Attachment II indicates the gravity of borrowing at the increased $2,500 per year level and shows clearly the repayment costs which a student would have to meet under those conditions.

PROPOSED

Extend the repayment period to 20 years and authorize a 5-year deferment at the student's request, plus deferments for military, Peace Corps and Vista.

COUNCIL SUGGESTION

We believe it imprudent to allow students to encumber themselves with an indebtedness which would extend over half of their business lives. The present 10 year maximum repayment period with deferment and forbearance provisions places few students in hardship conditions. If loan limits are kept at a reasonable level, a longer repayment period is not necessary. We recommend retention of the present 10 year period.

PROPOSED

All loans be exempted from the Truth-in-Lending Act.

COUNCIL SUGGESTION

We favor this position which would eliminate very costly paper work on a type of loan not designed to fit the lending practices covered by Truth-in-Lending.

PROPOSED

Only undergraduate full time students would be eligible for subsidized loans.

COUNCIL SUGGESTION

We urge the continuation of eligibility for graduate and professional students for subsidized loans under the Guaranteed Loan Program. At present 11% of insured loans are made to students at the graduate or professional level. The exclusion of half time students from participation would mean that many students now enrolled at community colleges would not be able to receive assistance to continue schooling.

PROPOSED

The definition of "eligible institution" used for resource equalization and cost of education loans does not include the possibility that a state-wide agency be used as a collective instrument for servicing loan programs for all schools within a higher education system.

COUNCIL SUGGESTION

That wherever appropriate State Government agencies charged with the centralized administration of financial aid be permitted, if it is determined to be appropriate, for an educational system to act as collective "eligible institution" for all institutions within the system.

PROPOSED

Loans made at different interest rates can be consolidated into one per-student, per-lender at a rate that is "agreeable to both".

COUNCIL SUGGESTION

The specific language of this proposal leaves much to be desired in actual administration to prevent inequality of treatment and inability to reach agreement between the parties. The Council suggests that the Secretary or Commissioner set forth a schedule of rates applicable under varying conditions.

PROPOSED

Non-high school graduates would be excluded from eligibility for subsidized loans.

COUNCIL SUGGESTION

We find no justifiable reason why a non-high school graduate admitted to any eligible institution should be excluded from participation. Many community college systems do not require high school graduation as a prerequisite for "open door" closed attendance.

Additional council recommendations:

1. We believe the application of a simple, realistic needs test by the financial aid officer for a subsidized loan, with the financial aid officer recommending the amount of the loan, but with the lender determining the actual amount to be

advanced is entirely appropriate. One suggested alternative might be to reduce the adjusted family income level to $10,000 and omit the needs test concept. There is considerable discussion in the Council regarding the reduction of the adjusted family income level. Our concern here would be that areas of the country where per capita income is higher not be excluded from participation in the program and that large families above this income level also be eligible.

2. We continue to express our concern over the mandatory 9 month grace period following graduation before a student is *allowed* to begin monthly installment repayments on his loan. We again recommend the elimination of the reference to "not less than 5 years" and substituting instead a provision to the effect that—

> . . . repayment of loans shall be in installments over a period of not more than 10 years, except where limited by state statutes, beginning not later than one year nor earlier than 9 months after . . . *unless the borrower requests in writing that his legal monthly repayments begin at an earlier date* . . .

3. We find no rationale for the exclusion of the benefits of the federal program (reinsurance) to those states which have been willing to undertake a direct student loan program. Indeed, we would recommend that H.R. 5191 be amended or additional legislation be introduced to encourage each state not now operating a comprehensive student aid program to enter into a Federal/State partnership.

TYPICAL REPAYMENT REQUIREMENTS OF STUDENTS OBTAINING NONSUBSIDIZED (MARKET RATE) EDUCATIONAL LOANS, AS PROPOSED IN H.R. 5191

	7 percent simple interest		9 percent simple interest	
	Monthly payment	Total payment	Monthly payment	Total payment
AMOUNT BORROWED, $10,000 (4 YEARS AT $2,500)				
Repayment period:				
10 years	$142.52	$17,103.00	$163.73	$19,648.07
15 years	109.60	19,728.63	131.09	23,597.69
20 years	95.16	22,840.34	116.29	27,911.80
AMOUNT BORROWED, $17,500 (7 YEARS AT $2,500)				
Repayment period:				
10 years	$270.75	$32,490.48	$316.46	$37,975.50
15 years	208.21	37,478.36	353.38	45,609.27
20 years	190.79	43,389.66	224.78	53,947.51

Assumptions:
1. Simple interest (not compounded) accrues during school enrollment and a 9-month grace period.
2. Accrued interest is added to amount borrowed to determine principal to be financed by payout (installment) note.

Source: Illinois State Scholarship Commission, 700 Waukegan Road, Deerfield, Ill. 60015.

It is not that they are unimportant but only that they are largely technical in nature and we would not go over them orally.

I have joining me at the table today a considerable amount of expertise in the administration of the guaranteed loan program in the States that operate State-based programs and we would be delighted to respond to your questions; and I call upon you to call upon any of my colleagues for their reactions in terms of their specific programs.

Thank you, Madam Chairman.

Mrs. GREEN. Thank you very much, Mr. Broadway.

May I turn to Mr. Hollister first in regard to the experience in the State of New York.

Yours is one of, I believe, two States that has really had enough experience in a guaranteed student loan program to give us meaningful statistics on repayment.

Will you help this committee in telling us how this is working out? As I understand it, the State of New York provides loans to young men and women who are residents of New York no matter what college they may attend in any part of the country. Consequently you have a very broad range of experience.

Mr. HOLLISTER. Madam Chairman, I have a written statement but rather than going through all of the details, I would like to summarize it. I am sure you can look at this later.

Mrs. GREEN. Thank you.

Mr. HOLLISTER. Basically, when we talk about default rates and statistics. I think I have to give a little background so we know we are talking about the same thing.

It is always easy to compare apples and oranges but we would rather stick to one particular one.

In our processing of default claims or before payments are made to lenders, a great effort is made by part of my staff to avert claims and we are still averting 50 percent of the claims that come to us from a lender for repayment. This is done by individuals who follow established procedures—telephone calls, personal letters, telegrams, all sorts of ways to get hold of the individual student if we possibly can to say, look, it is going to hurt your credit records, it may cost you more unless you pay the lender. For instance, there will be no subsidy on those who had the old 3 percent loans if they go into default which is clearly in the legislation.

So we avert loans. Then we make payments to lenders. When you started the Higher Education Act, I think you looked at some of the statistics at that time from New York State which were a little bit disturbing but not out of line and seemingly reasonable.

But what has happened to us in the last year particularly has our board very disturbed. The members of the Board of the Corporation are people who feel they are appointed as stewards of public funds. We show on page 2 what has happened to us as far as a definite default purchase percentage rate is concerned.

These figures indicate these are the loans which are subject to or in repayment compared to what we had to pay to lenders; and for the fiscal year which ended December 31, 1968, our purchase ratio was 3.7 percent. For the following year it moved up to 3.8 percent. But in this last year—this has got to be a cumulative figure—it has gone up to 4.4 percent.

This is a startling increase in a short time.

Now, this doesn't mean that necessarily all this money is a loss. I think I have got to point this out. After loans are purchased, we continue to do everything we can to collect, including hiring legal sources and filing suit, so that our loss, our actual losses that we anticipate now, will run up to a 2.6 rate compared to the 4.4 purchase rate. We hope we are going to collect from a number of these students.

We still are optimistic but this loss rate, as you see, has increased from 1.9 up to 2.6 in a couple of years—a sharp increase.

I think I have got to talk about these percentages and also talk about dollars. This makes it a little more definite.

We have a New York State fiscal year ending March 31. In our fiscal year that ended last March 31, we had purchased claims totaling $3,018,000. This made, since we have been going, a total purchase of $10 million in claims. However, for this fiscal year, $6,150,000 will be paid. This is a 100 percent increase over the previous year. We thought we had better do something to see what is causing this increase and try to analyze what was causing our problems. We went on into an in-depth study of who were the ones who were defaulting and what percentage were reported by various schools.

On exhibit 1 I think we can quickly say that running from about a 3.4 percent back in 1965, I know that this isn't that accurate a graph, but by December 1970, higher education had gone up to 4.2 percent.

The 2.5 percent ratio shown on the graph on what we then classified as vocational schools—which were mainly business schoools and nursing schools—has steadily increased so that as of December 30, this was a 7.3 default ratio on people in vocational programs.

We further analyzed these figures and on the next page we show the number of claims we paid by the type of school. Looking at it, the very top line in each of the groups is the number of claims paid—as you can see, the number was less than 100 in 1968–69—it went up to almost 600 in 1969–70 and through December we paid over 1,200 vocational defaults. Nursing students showed very little change. It is a slight increase but proportionately not much. Business schools appear to have jumped somewhat but perhaps this is unfair and I have got to qualify this by saying in the business category, just in order to not have too many categories, we have included computer schools, not what we always have thought of as a normal business education school, but computers are involved in business; and our big increase here is really attributable to some of these computer schools.

But our big jump has been in the trade schools and so-called beauty or barber schools or similar schools which are eligible under the program.

With 11 percent of our volume which is what our vocational schools generate in loans, this year, 35 percent of the defaults that were paid were paid for people who had taken a vocational program.

We are disturbed. We have asked Derryck and Associates of New York to make an in-depth study of this to try to give us answers to—do these students, if they do complete the course of study, which many don't, get positions which would enable them to repay the loans? Who is benefiting by the program? Are the students benefiting or are the school operators benefiting?

We hope that this organization will also project other questions we would like to have answered.

The board is disturbed. They feel this is a rising trend and we are not specifically at this moment, because of the time lag here, involved as clearly as we will be in the future with the downturn in economic conditions.

This doesn't mean that some of the loans that we have paid were from people who have lost their jobs and couldn't continue their repayment arrangements, but generally most of these people are those who haven't done anything about repayment despite efforts by banks and by us. Despite the fact we are trying, in many cases we cannot locate some of them. Others are on welfare at the present time. All sorts of other reasons are found for not repaying. Unfortunately a few are in penal institutions. We have a cross-section of people that we are serving and they show in our purchase of defaulted loans.

These figures are very disturbing to the Board of the New York Higher Education Assistance Corp.

Our big key here, we feel at the moment, is the great increase in those who are nonhigh school graduates going on to vocational training.

Mrs. GREEN. You indicate on page 2, a 4.4 percent purchase ratio. In certain categories, how high does the percentage go in terms of defaults?

Mr. HOLLISTER. Oh, I have certain individual schools that have run up in the 40 percent for that particular school, by analyzing individual schools.

Mrs. GREEN. Is there an average percentage on default, for instance, for the trade schools, the beauty schools?

Mr. HOLLISTER. Well, my average as of December was up to the 7.3; that was the average that I show on the chart.

Mrs. GREEN. The average; and there would be individual schools? All of these categories that——

Mr. HOLLISTER. Some below, obviously. Our very fine experience on individuals in either practical nursing or any type of nursing program, and those in the traditional business schools are keeping this from being much higher. And in these other groups of schools, the percentage is much higher.

Mrs. GREEN. Do you go to court to get a judgment?

Mr. HOLLISTER. Yes, we do.

Mrs. GREEN. Does that help any? Would you put that as one of the recommendations for the Federal program?

Mr. HOLLISTER. Oh, I certainly would. Again sort of an amusing type of thing, we received a payment of $1,800 the other day from someone that we took a judgment on in 1962 and at the time he said. "Tell Rocky to do something with the money." Now he wanted to buy a house, so he came up with the whole amount he owed to get his house.

The judgment had been sitting there, I recognize, and we had spent some money for the judgment, but we feel very strongly that this is something we have to do and we continue to do it.

Mrs. GREEN. If this requirement were written into the law what do you think we should allow for expenses for administrative costs in getting the judgments? And would you recommend it both for lending institutions and for institutions of higher education?

Mr. HOLLISTER. I would think so, but I would have to take a little more thought here to the legal part to know whether this would be similar throughout the country, as far as the fees which are paid to the attorneys who do the collection for you and all the other costs.

Mrs. GREEN. I have other questions but, Congressman Dellenback, do you have questions?

Mr. DELLENBACK. Thank you very much, Madam Chairman.

We are grateful for all of you being here.

I count 14 or something like that. This is as large a battery of witnesses in one panel as I think we face in the subcommittee. I think this is good testimony to us.

I would like to follow a little bit first with Mr. Hollister, if I may.

How do you handle in New York State the legal disability of less than 21-year-olds at the times loans are given?

Mr. HOLLISTER. At the time that the corporation was established, sir, which was prior to the time that you had national program, Article

14 of the education law specifically stated that while a person was under 21, for any loan guaranteed by New York Higher Education Assistance Corporation, they were legally liable. I have not had this tested in a court case but it was started and when the people looked at the statute, they just didn't press it in a court case.

Mr. Dellenback. Unless there is something unique in New York, I don't think that that protection is a matter of the constitution or something that cannot be obviated by statute. So you take express action by virtue of statute in New York State on that particular thing?

Mr. Hollister. Yes.

Mr. Dellenback. I think that the statistics that you have given us in your statement, and what you said orally and set out in more detail in your written statement, are very important because we have in the last few weeks in our subcommittee hearings been getting pieces of statistics that dealt with the creation, at least in this member's mind, of the impression that somebody was stating that 35 percent of the loans were going into default in New York State.

Now, I obviously wasn't listening accurately to what was being said because your statistics say very clearly that what you are talking about is a percentage of loans going into default which is in the 7 percent bracket at the time.

Mr. Hollister. In the higher education category on the vocational, the average is 4.2 today.

Mr. Dellenback. And that the total is about 4.4?

Mr. Hollister. Yes, sir.

Mr. Dellenback. That, numerically, 35 percent of the default claims not of total loans, but—I think that is a vitally important distinction, that your record is not the abysmal one that I had been afraid was going to come forth from New York when we actually got your testimony?

Mr. Hollister. No, what I have said, and someone may have misinterpreted it——

Mr. Dellenback. I may have.

Mr. Hollister. We have made roughly 11 percent of our loans to people it all types of vocational programs. Thirty-five percent of the default claims I will pay for this fiscal year were for people in vocational programs.

Now, this is obviously way out of line. Eleven percent of the loans should give you roughly 11 percent of the defaults. I mean, maybe we should give them the benefit that these individuals are lower income and maybe it might go somewhat higher, but certainly not 3 times higher.

Mr. Dellenback. Are both the 11 percent and the 35 percent number of loans statistics or is either one of them a dollar statistic?

Mr. Hollister. No, these are students. You see, because a default is not—I don't care whether it is a default for $50 or a default for $7,500, this is a person who didn't meet his commitment to the lender and the lender takes action. So, we are talking about numbers of defaults.

Mr. Dellenback. Except——

Mr. Hollister. I would just use the dollars to point out these are public funds and the amount of money is increasing.

Mr. Dellenback. Except your 4.4 percent figure is a dollar figure.

Mr. **Hollister.** That is the dollar figure, right.

Mr. **Dellenback.** So when we deal with this type of statistic we have got to be sure we are shifting from apples to oranges back and forth.

Mr. **Hollister.** Yes.

Mr. **Dellenback.** Your 4.4 is a dollar statistic. Your 35 percent is a student statistic, so when we think our way through the problem, we have got to be sure we are shifting gears at the proper time.

Mr. **Hollister.** Right.

Mr. **Dellenback.** Are you able to tell us—can you translate that 4.4 which is a dollar statistic into a number of students statistic for us so we have got a comparable figure?

Mr. **Hollister.** I can't give it to you as of December 31 today but I can send you this. It is 12,000-some students.

Mr. **Dellenback.** It is apt to be percentagewise higher or lower than any statistic that—can you carry that over for us?

Mr. **Hollister.** I can——

Mr. **Dellenback.** If you can—do.

Mr. **Hollister.** I can get that.

Mr. **Dellenback.** I am not worried about the minutiae. The major directions and relationships between dollars and numbers, I think, is important.

Mrs. **Green.** Would my colleague yield?

Mr. **Dellenback.** I will be glad to.

Mrs. **Green.** I appreciate that 4.4 percent of the dollars. Can you transpose that to people?

Mr. **Dellenback.** This is my question.

Mr. **Hollister.** It is roughly 12,000 but I have to give you an exact figure.

Mrs. **Green.** The average is better than I had thought, but I must say it does concern me. This is a chart I think that you have furnished that in State schools you have a 20.7 percent, a 15.17, 15.5, 15.3 on down to 9.2. In State schools you have one in Alabama with a 21.8, 15.2. In California the University of California at Berkeley at 9.5 percent; San Francisco State College, a 12.5 percent; in Delaware State College, 37 percent of the people who had made the loans.

Mr. **Hollister.** Subject to repayment.

Mrs. **Green.** And I would ask unanimous consent that this be made a part of the record at this point.

Mr. **Dellenback.** I have no objection whatsoever, Madam Chairman.

New York Higher Education Assistance Corp.,
Albany, N.Y., April 5, 1971.

Hon. Edith Green,
House of Representatives,
House Office Building, Washington, D.C.

Dear Mrs. Green: At the hearing held on March 31 Congressman Dellenback requested the number of cases involved in the $14,550,000 that had been paid by this Corporation in the purchase of defaulted claims from inception of this program to December 31, 1970. The Corporation had purchased 12,266 claims during that period.

If there are other details which are required for the record, please let me know.

Sincerely yours,

E. D. Hollister, Jr.,
Executive Director.

STATEMENT OF ELWOOD D. HOLLISTER, JR., EXECUTIVE DIRECTOR OF NEW YORK HIGHER EDUCATION ASSISTANCE CORPORATION

Madame Chairman and Members of the Sub-Committee: At the request of the President of the National Council of Higher Education Loan Programs, the following information is submitted to you concerning New York Higher Education Assistance Corporation's experience in handling defaulted student loans and a compilation of default statistics.

New York Higher Education Assistance Corporation has been in existence since 1958. Until recently our default experience had not been a disturbing factor but during the past year the number of defaults have greatly increased and the situation is now of major concern.

After students have left school they are provided a nine month grace period but for better administration students are urged to visit the lending institution as soon as possible after they leave school to arrange for monthly payments at the end of this period. Based on reports, from schools which are initiated by this Corporation, we are advised that the student is no longer in school. The students and the lending institutions are then notified through a notice that the student has left school. In addition to this notification, lenders also send notices to the student and make other efforts to contact the student. Lenders follow their normal collection procedures and do what they can to have the student come into the bank or respond by mail to complete repayment arrangements. After the grace period, if the student has not made the necessary arrangements a claim for reimbursement is filed with New York Higher Education Assistance Corporation. When claims are received by the Corporation efforts are made through letters, telegrams and personal contact to advise the students that if they do not make arrangements with the lender that New York Higher Education Assistance Corporation will have to purchase the claim. We point out that this action will hurt the individual's credit record and some cases result in paying the full interest rate rather than the 3% interest rate they will pay to the lender. As a result of these procedures New York Higher Education Assistance Corporation is averting about 50% of the claims received from lending institutions.

In arriving at statistical information concerning the default purchase ratio the Corporation determines the dollar volume of the loans subject to or in repayment, the amount repaid by students to lenders and the dollar amount of default purchases and computes the default purchase ratio by determining the ratio of default purchases to the total amount of money which is subject to repayment.

We do not include the dollar amounts outstanding to students who are in school or in the grace period because those amounts are not at that time subject to repayment.

[In thousands of dollars]

	Cumulative as of periods ending—		
	Dec. 31, 1968	Dec. 31, 1969	Dec. 31, 1970
Default purchase ratio:			
Converted loan amounts:			
Subject to or in repayment	86,000	110,000	147,000
Repayments	89,000	121,000	170,000
Default purchases	6,800	9,200	14,550
Total converted	181,800	240,000	331,550
Default purchases	6,800	9,200	14,500
Purchase ratio (percent)	3.7	3.8	4.4

We have further analyzed these statistics to separate higher education borrowers and vocational borrowers. At the end of the last fiscal year the default purchase ratio for students in vocational programs stood at 7.3% and those in higher education stood at 4.2%. The increase in the vocational default ratio is shown on the graph marked Exhibit 1. We must point out that after defaults are purchased by the Corporation collection efforts are actively continued. This includes efforts by the Corporation itself and also the use of attorneys to obtain judgment to effect the collection of these defaulted loans.

	Cumulative as of periods ending—		
	Dec. 31, 1969	Dec. 31, 1969	Dec. 31, 1970
Anticipated default loss ratio:			
Total converted	$181,800,000	$240,200,000	$331,550,000
Anticipated amount of losses[3]	$3,400,000	$4,900,000	$8,700,000
Loss ratio (percent)	1.9	2	2.6

[3] Anticipated losses=estimated amounts which NYHEAC does not expect to recover.

We are sure you are also interested in the actual dollar amount of the expenditures made by the Corporation to purchase defaulted loans. For the New York State fiscal year which ended on March 31, 1970 the Corporation expended $3,018,408 and at the end of that fiscal year had expended a total of $10,201,764 to purchase defaults since the start of operations on June 30, 1958. For the fiscal year ending March 31, 1971 the Corporation will pay out more than $6 million for defaulted claims. This is almost a 100% increase over the preceding fiscal year and in the last two years the Corporation has purchased more claims than it had for the first ten years of its existence. Due to rising volume, the amount of default purchases would have risen somewhat but the accelerated rate of these expenditures in so short a period of time is disturbing to members of our Board of Directors who are cognizant of their obligation as responsible stewards of public funds.

In trying to determine some of the trends in the program it is apparent that, while New York State has provided approximately 11% of the loans it has made in the last two years to students in vocational programs, 35% of the default claims paid are on behalf of students who have enrolled in vocational programs. The average amount of the claim paid on vocational schools is less than the amount paid on higher education students due to the fact that there is normally a smaller loan required and that in most cases there is only one year or less of schooling while higher education students normally spend a longer time in school before they are subject to repayment.

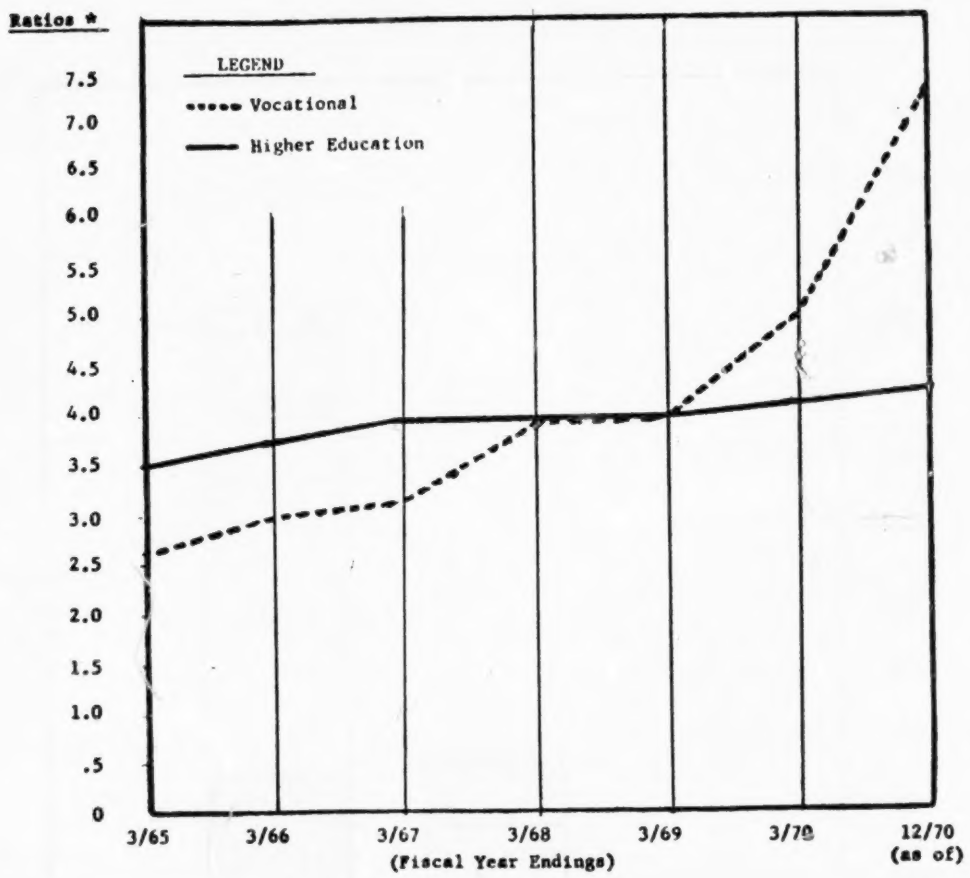
In Exhibit 2 we show the number of claims paid by the Corporation during the last three fiscal years and indicate the type of school the borrower attended. Not only has this number increased drastically but the big increase has been in the area of beauty schools and trade schools. Nursing students generally are meeting their obligations promptly and the business schools, which includes in our statistics a number of computer schools, are beginning to grow faster than we had anticipated. We must state however that the normal two year business school default rate seems to be fairly stable and further refinements in our analysis process will enable us eventually to separate the normal business school from those engaged in a computer school type of operation. The schools which have shown the greatest percentage rate of growth are those which do not require high school graduation for admission.

I am certain that beside outlining this very disturbing problem that for true perspective you should know New York records show that in this last fiscal year students have repaid to lenders, in accordance with their installment obligations or through lump sum payments, more than $48 million. Fortunately the great majority of youth who have obtained loans are still promptly meeting their obligation. However, these statistics point out that there are areas where distinct problems are apparent and our Board has commissioned a consulting firm, Derryck Associates of New York, to make a study of the vocational program to try to determine some of the reasons for the default ratios climbing so rapidly in this area. It is expected that the in-depth study will be completed in April and the report issued to the Board.

NEW YORK HIGHER EDUCATION ASSISTANCE CORPORATION

EXHIBIT 1

DEFAULT RATIOS
(By Fiscal Years)
Vocational vs. Higher Ed. Borrowers



* Based on Borrowers Out of School

NUMBER OF DEFAULTS PURCHASED
(Cumulative)

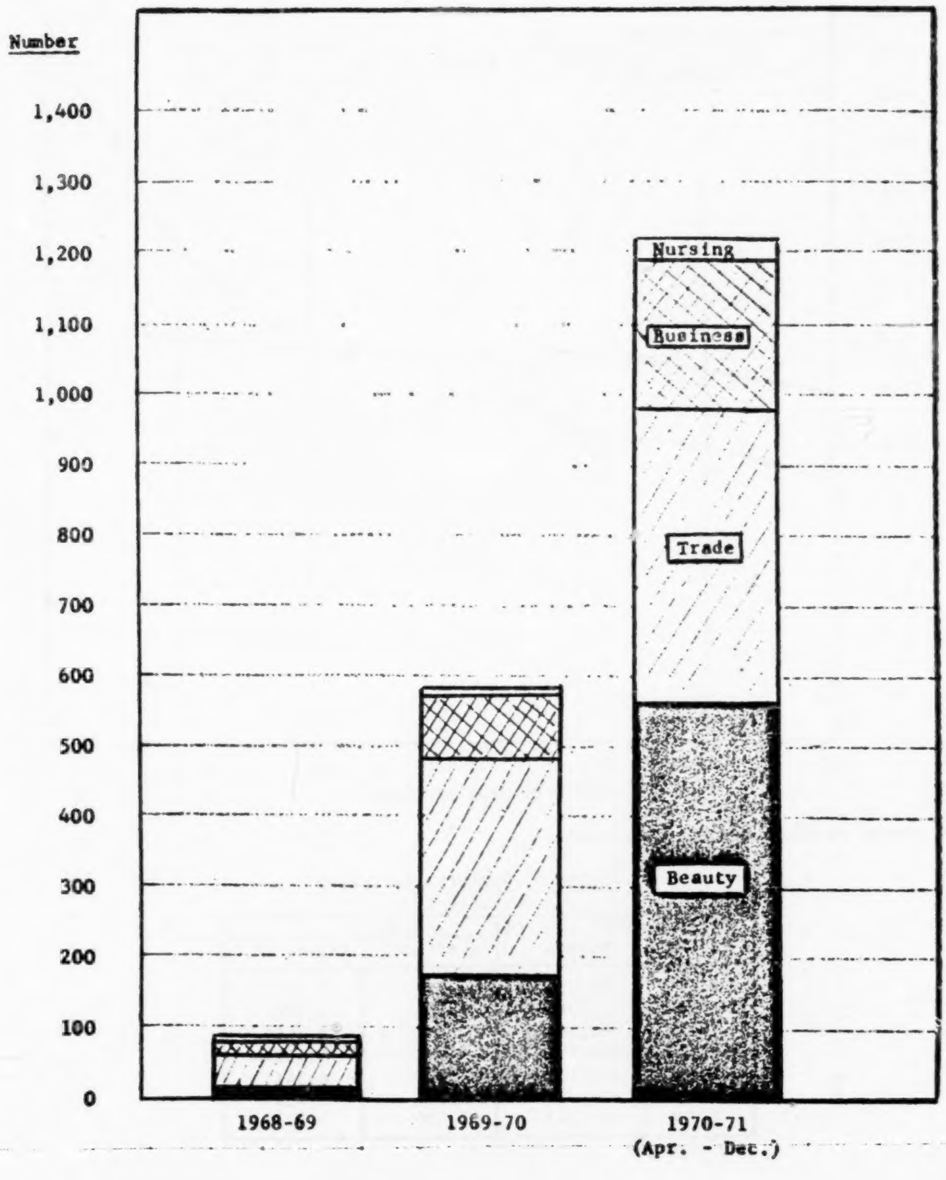
Period Ending	Borr. Out of School	Defaults	
		Vocational	Higher Ed.
1965	44,355	79	1,462
1966	64,963	157	2,190
1967	90,315	287	3,16[illegible]
1968	124,935	397	4,422
1969	158,136	685	5,541
1970	212,912	1,229	7,424
12/70	267,928	2,460	9,821

NEW YORK HIGHER EDUCATION ASSISTANCE CORPORATION

EXHIBIT 2

VOCATIONAL DEFAULT PURCHASES
(Fiscal Years)

By Types of Vocational Schools



Mr. **Dellenback.** May I just ask one question about those statistics you have now been reading for our clarification?

Are those the figures which are properly comparable with the 4.4 percent which Mr. Hollister gave, are those figures comparable with the 35-percent figure that Mr. Hollister has just given or are those another thing entirely?

Mrs. **Green.** I think they are not comparable to either.

Mr. **Hollister.** I feel quite certain these are going to be comparable with the 4.4.

Mr. **Dellenback.** So we are talking about 35 percent compared with the 4.4?

Mr. **Hollister.** In certain individual schools while others have done a much better job and are continuing to do so.

Mr. **Dellenback.** That 35-percent figure from the list the chairman just read would be comparable to what you gave in your testimony, something about one school went as high as 40 percent?

Mr. **Hollister.** I don't know whether it is on the list but there was one—our records showed 40 percent for an individual school. Again, this was based on the number of students.

Mr. **Dellenback.** I am deeply concerned about any of these rising rates of default and I think this is of major concern to this subcommittee and would be to anybody who administers these programs; but all I want to be sure is that the statistics as they appear really tell us something other than just frighten us or give us unnecessary complacency. It is important as these statistics are in the record; we read them in detail and not just in summation.

Mr. **Broadway.** Madam Chairman, we have asked several of the larger States to look into this particular question because we knew of the interest of this committee, and Mr. Reeher of the Pennsylvania agency also has some statistics that he would share with the committee if this is the appropriate time.

Mrs. **Green.** Yes. Could I ask again, first, New York and Pennsylvania are the only ones that have really had this long experience in making guaranteed loans, is that correct?

Mr. **Broadway.** No; Massachusetts, Illinois, also, and United Students Aid Fund would have extensive experience; and I think all of these can give you figures that we can compare for you.

Mr. **Reeher.** I believe the key to looking at the default question is the borrower/lender gap. Whether it is the period of time between when the student leaves college and is required to make his first contact with the lender, or whether it is how far away he moves from where he might have received his loan, the lender/borrower gap leads to defaults.

At this early stage, it appears that many variable conditions influence a student borrower's repayment outlook. Here in Pennsylvania, we have done some things locally that I think are noteworthy, particularly when we start to look at the possibility of bringing large numbers of loans into a national market.

For example, one of our smaller schools had our highest default ratios while our largest university had one of our smallest default ratios. Upon analysis of the situation, the following facts came to light.

Penn State University, for example, had an exit interview with the student before he left if he had a loan and notified both our agency and the lender that this student was leaving school and had a loan that would be due for repayment at a certain date.

The other school, which I will allow to go unidentified at this time, had no experiences, had no financial aid officer of tenure, so to speak, and had no formal arrangements to remind the student of his indebtedness. This school also drew from a particular ghetto area and this factor appeared to contribute to their high default ratio.

I think the principal problem here was lack of communication. Not enough substantial action was carried out prior to the lender's collection efforts. And we do feel that the best place to collect these loans most effectively is at the lender's window where they have experience.

We operate on a procedure when a loan payment is 60 days past due, the lender notifies us. We have the next 30 days, then to get that student back into the lender's office and get him on repayment in order that he brings his payments up to date. If we are not able to do this, then 30 days after that, which is 90 days from the date the delinquency is noted, the lender submits a claim for payment. Claim review and payment take up to 30 days.

We are able to avert 80 percent of the potential delinquencies by conducting both mail and telephone contact with the potential delinquents.

We have found that our average default ratio is 5 percent. This is in terms of student borrowers. In terms of dollars, it is only 2.4 percent.

This may be a relief to some but these figures tend to frighten me because the loans that are now getting in default are not high in dollar value. The programs are not that old. And many of our defaults are students who were only enrolled for a very short period of time and then dropped out, or they are in a short course—community colleges of your trade and business schools, that kind of thing.

As less contact is required with the student, as in the case of the guaranteed loan program—we now make loans each year for 4, 5, 6, 7 years which do not require quarterly interest payments being made by the student. And as opposed to the period before Federal involvement, we do not have contact with him whenever he became or started to look like a delinquent.

I can see that it would be a fair prediction to say that the percentage of defaults based on dollars could grow tremendously as we go on.

When we look at our business and trade schools in terms of student default ratio—the ratio is 6.3 percent. In regard to the colleges this ratio is 4.9 percent. This averages out to roughly 5 percent.

In dollar value, the figures as follows: In the business and trade schools, the default ratio is 3.6 percent and college 2.3 percent, that averages out in dollar value to 2.4 percent.

We had 5,000 potential defaults in the last 12 months and only 1,040 of these became defaults. We averted 80 percent by the efforts in our office.

We are concerned in looking at this legislation that the preliminary figures as we have received them indicate that Federal defaults are running 2 to 1 over State defaults and we were concerned that this may be in part attributable to the gap that—geographical gap, at least—between where the loan is received and where it is due for repayment.

In Pennsylvania, we have 20 percent of all the defaults that we have purchased on current repayment in our office. We follow them and pursue them. In the last 8 weeks, we have turned over all the noncollectibles to a private collection agency in order to bring in a third party. I think it is safe to say that this effort will bring us something like a 30-percent minimum collection on those defaulted accounts that we were not able in our agency (being the guarantor) to bring current in their payments.

We think that this figure will run 30, possibly 50 percent, and that the private sector as a collection agency is able to go beyond State efforts and procedures. And remember this, the collection agency's figure is only a percentage of the 80 percent of the loans that we could not get on repayment after we purchased them.

Now, looking at lenders, we made some calls just to get some spot checks because we do have some problems in identifying what is a potential default. How many loans, really, should be in repayment? There have been some questions here concerning our data as far as reconciliation of the student when he is out of school, reconciling the enrollment, whether he is still in school. This varies from school to school. As I mentioned, our big universities are most cooperative and efficient. They send us the notices immediately.

But in order to try to fully understand this situation—get a little clearer picture—we called several lenders so that we might augment our own in-house informational data. Philadelphia Savings Fund Society, which is one of our big lenders in the city of Philadelphia has 5,400 loans outstanding that they have made in roughly two and a half years. Of these, 674 are in repayment; 280 have been paid off, 80 by default. This happens to be the one—the main lender that was making the loans to the school that had the highest default ratio.

Pittsburgh National Bank has 10,273 loans outstanding and 1,347 of those in repayment. In other words, roughly 10 percent of our loans there—13 percent are in repayment.

The First Pennsylvania Bank in Philadelphia, 2,221 loans, 648 in repayment. Continental Bank in Philadelphia, 3,000 loans and only 144 in repayment.

I think if there is one message that would make my trip worth while (taking a day to come to Washington) it would be to say to this committee that the most critical area in the guaranteed loan program is the handling of repayment accounts. We have guaranteed a lot of loans in the last few years and the big effort ahead of us is collecting them; and I think this is best done at the local level. And we are very much concerned in Pennsylvania.

One of the many areas in which we have been requested by our lenders to give them professional advice is, as would be expected, the collection area. At present, we have a 5-percent nonsubsidized; we have 6-percent nonsubsidized; we have 6 percent, 3 and 3. We have 7 percent and 3 and 4; 7-percent subsidized and 7-percent nonsubsidy; and the lenders have asked us a very simple question: How do you put these together so that the kid has one coupon to send to them each month? And we don't know the answer.

I think that the most important message I can give to you is that if there is any way we can make the guaranteed loan program—I shouldn't say the guaranteed loan program—if there is any way that we can get money to students in the form of loans, if that is what you want to do, whatever you do, do it in such a way that they can pay it back. I don't think we can afford to muddy the water any further. There is a very serious question of lenders coming up with the money, but that is not nearly as critical as whether or not the student will be able, in fact, or willing to make the repayment.

We have lenders that assign the student separate loan accounts because he has three different notes and each month he must send in three different coupons. So it is getting to be an impossible situation and I think that the life of loans for financing higher education, unless you are going to do it all with a National Defense Student Loan concept where you are putting up hard dollars, if you are not going to do that, if you want to use the private sector's money, whether it is NSLA or the programs were operating or what, you had better keep it simple and not put any more wrinkles into this subsidy and repayment and so forth.

Thank you.

Mrs. **Green**. Could I ask you two questions? Is your experience similar to that in New York in terms of the two extremes on default? Do some institutions go as high as 40 percent?

Mr. **Reeher**. I would say yes, and I think our experience follows New York by about 2 years—bankruptcies and defaults and the upshot of volumes, and so forth.

Mrs. **Green**. And is the highest rate of default in the trade schools?

Mr. **Reeher**. Our rate in the trade schools is higher but actually our highest rate in any one institution was at a 4-year, predominantly black institution where they had recently had a part-time financial aid officer and really didn't have the knowledge. The students in many cases didn't know they had a loan that they had to repay. There was no contact by the college either with the student loan recipients or the lender.

We have been looking for Federal contact with these schools. We used to reconcile student enrollment status with the schools but when OE assumed this chore, we abandoned it. Since that time, lender/school contact in general has broken down. This was certainly the case at the school with highest default ratio. To remedy this particular school's weakness we sent our regional representatives—we have 10 regional officers that work with the lenders on these problems—we sent our regional person in to meet with the collegiate staff on an in-service basis and the situation improved tremendously. It is a matter of communication at that local level, a big part of it.

Mrs. **Green**. Mr. Dellenback?

Mr. **Dellenback**. I apologize for not having gotten your name straight. May I ask it?

Mr. **Reeher**. Mr. Kenneth Reeher.

Mr. **Dellenback.** Mr. Reeher, there would be a number of things that I would be very interested in that I think would be helpful to the committee. What you have already said has been helpful to us. You have made the point that we should make sure that the student repays and that is in part a question of mechanics and you have talked about the importance of simplification and not doing half a dozen things at the same time.

What else would you suggest to us? Would there be something that we ought to do in the way of placing limitations on dollars? Would there be restrictions, if so, on an annual basis, or would you make it on a total loan basis?

I would ask both Mr. Reeher and Mr. Hollister this, one or the other. Mr. Reeher first, perhaps.

Does the Pennsylvania or New York experience tell us anything along other lines aside from the simplification point which you made?

Mr. **Reeher.** Well, I think as I have mentioned earlier, the dollar question is one that is ahead of us. The program, at least the program that we have, has only been operated since 1954 and it is possible for a large number of student borrowers to be in school continuously since—I am sorry, 1964, since 1964—so that the large volume of borrowers we feel for the most part is still in school or else he is a small borrower that has 3 or 4 years of borrowing ahead of him.

We were talking about this $2,500 loan bill, you know, for 5, 6, 7, or 8 years and you got out of school and you marry. I think that anybody that didn't declare bankruptcy right at that point would be out of his mind. I think this is a real potential threat.

I think we find that the student that goes to school 1 year, to a college program. Dad gives him a try or he goes to school for 1 year and fails—his indebtedness is not so great. You can either beat his brow or beat his parents' brow and you will get your money. But when you get to a certain—to a $10,000 debt, it is very questionable 10 or 15 years from now at the advanced age of those parents, whether they are going to be interested or able in assuming the student debt and if the student can't pay it, we are in trouble.

I think there is a real danger in the size of the indebtedness. This Council has always been fearful of raising the amount of total indebtedness that a student could incur.

Mr. **Dellenback.** Mr. Hollister, would you add anything to that?

Mr. **Hollister.** Again, our preliminary findings find that our big problem is the nonhigh school graduate. I am not saying this should be immediately a legislative recommendation but I do feel that this is one place that we have got to know more about before we continue on loans for this group of people. I recognize the purpose.

Mr. **Dellenback.** I remember your statement. You said the nonhigh school graduate who went to a trade school.

Mr. **Hollister** These are the only places they can go, you see. If they are a nonhigh school graduate they cannot go to a college. They don't have an equivalency.

I feel this is one thing we have to know more about. But can they really repay? Are we really fair in saying this is a loan program and/or should we look at it and come up with some facts and maybe fill in a little and say you at least have to be a high school graduate?

Mr. **Dellenback.** Your experience has been longer than Pennsylvania's?

Mr. **Hollister.** Yes, we started in 1958.

Mr. **Dellenback.** So you are in a position where you might have a little bit more to say to us about total loans. Your indications have been that numerically the greatest defaults have been among the small——

Mr. **Hollister.** By this time we are getting some people that are defaulting in the $7,000 loans, I would say this, but we don't——

Mr. **Dellenback** (continuing). About total size?

Mr. **Hollister.** Once again in using generalities, most of the people who are borrowing that much money are up in graduate work, I would, for instance, recommend, and I think New York State is very much interested because of the need for doctors and dentists and the higher costs of that, that in those particular cases people could borrow $2,500 a year, that they could have a total indebtedness of $10,000 if they are going on into graduate work; but I wouldn't like it to go any higher.

Mr. **Dellenback.** If they were to borrow through 4 years of undergraduate and 3 years of graduate——

Mr. **Hollister.** If you give them the $1,500, that is $6,000. We are just starting to go to $1,500 for each academic year but there is $6,000 when you have just got your bachelor's degree. If you go on with a couple of years of graduate work, $7,500 isn't realistic if you are going to have people go to graduate level; and I still think we probably have a national purpose to allow them to go this far.

Mr. **Dellenback.** It would be your feeling, then, it ought to be set at an upper limit somewhere in the——

Mr. **Hollister.** About $10,000.

Mr. **Broadway.** I was going to comment that I would refer to attachment II of our presentation.

This attachment shows the gravity of borrowing at the $10,000 level for a 4-year period or a total $17,500 as authorized in the new act. We are talking about at a 7-percent simple interest rate, a total indebtedness of $43,000 for a student if he repays it over the 20-year maximum period as provided. One of the changes that might help, at least the Council feels would help a great deal, is in relation to the 9-month period—the "grace period." We now require that a student cannot make repayment during this time unless it is considered a prepayment. We should allow the student some flexibility in this area. The student and the lender can and should come to an agreement for earlier repayment. The student should be allowed to request in writing that his repayments begin shortly after graduation rather than waiting almost an entire year. This is one way to get the student and the lender together fairly quickly after the end of the educational experience; to remind everyone of the obligation of repayment.

Certainly if we now provide the 5-year, what we term the "wild card deferment," we are opening Pandora's box; risking the loss of contact with that student and having that student lose contact with the concept of this loan as an obligation which he is going to repay in the years ahead.

Mr. **Dellenback.** So actually the interest deferment after graduation, while it is intended to be helpful to the student during early years, would be something you suggest not be in the legislation?

Mr. Broadway. Yes.

Mr. Dellenback. You would have them immediately, if not for the dollar reason, for the close contact reason?

Mr. Broadway. Yes, you are correct.

Mr. Dellenback. You would insist that they be in touch immediately upon graduation or as soon thereafter as possible and not give them this wild card gap?

Mr. Hollister. We have been able to work with our lenders and many students during that 9-month period. We have finally convinced our lenders to take principal-only payments. The student must sign the repayment note, even though he doesn't start repayment right away, no later than 5 months after he is out of school. We are trying to enforce that.

This doesn't mean he starts that day but at least he has seen the lender; the lender has a little bit of teeth to remind him of his obligation. Before this they had to wait 9 months before doing much about repayment at all.

Mr. Broadway. To be realistic, perhaps the only way you can collect a loan of this magnitude over such a lengthy period of time, perhaps 25 years as we show in our illustration, is a tax/repayment relationship. A man might well be 53 years of age if he used all of the extensions for which he is eligible before he completes this obligation. As people move around the country we may be forced to collect this indebtedness through Internal Revenue Service.

Mr. Dellenback. Thank you very much, gentlemen. We could go on but my time is up.

Mrs. Green. Just on that comment, I have heard other people in the administration say that if the defaults are high, they would turn to IRS or social security. This gives me real concern.

Mr. Broadway. The Council shares your concern, but at the same time, if we are going to collect it, this may be the only way practically to carry out that task with that kind of extended indebtedness over a life time of an individual this bill suggests.

Mrs. Green. Congressman Erlenborn?

Mr. Erlenborn. Thank you, Madam Chairman.

I would like to turn to another subject, Mr. Broadway, your testimony regarding the National Student Loan Association, or, as I like to call it, the Student Loan Marketing Association, because it is a much better acronym, Sally May instead of NSLA.

I know that your interpretation of the administration's bill regarding the secondary market is that it would or could require the major emphasis in the granting of loans to be placed at the educational institution rather than the lending institution. Which is it? Does the law require it, or is it in interpretation of the law and a particular application of the law that might require that emphasis?

Mr. Broadway. As we reviewed this, we see the thrust of that particular section of the proposed legislation as putting the major lending burden on the schools.

As a matter of fact, the law requires that in order to qualify for the other student aid programs, an educational institution would have to enter into the lending business; that before any other loans can be dealt with by NSLA, the needs of the colleges for funding the suggested NDEA-type loan would have to be completely met.

So the lending emphasis, as we see it, is shifting to the educational institutions, we do not believe, in terms of volume alone, that the guaranteed loan program administered largely to the college lender can keep pace with our current experience.

Mr. Erlenborn. Do we have any experience through National Defense Student Loans or otherwise that would indicate that educational institutions are better as an institution to determine who should get a loan and the amount of the loan or would it be better to have an institution for the collection of loans when we reach the payout period?

Mr. Broadway. Well, the only reliable experience, I suspect, is that of the NDEA student loan program. Initially, it was not favorable, although I understand that record has improved considerably in recent days. I have heard the figure and I would not attest to its veracity, that approximately 5 percent of the National Defense Loans across the Nation that are in the matured stage are in some form of delinquency.

Now, that is as I say a figure that has been thrown about. To be used. it must be properly interpreted. In the GLP, we are talking about commercial collection experience rather than that of educational institutions.

What you might be forced to have is a separate division within the college administration that would deal only with student credit activity alone. We would raise questions as to the appropriateness of this role for an educational institution. It would be far better to improve the relationship, establish a better liaison between the college financial aid officer and the guaranteed loan program as we have tried so often to do in the past.

Commercial banks are in the lending business and presumably their expertise would mean better collection efforts than those we might expect from educational institutions who are in operation for an entirely different purpose.

Mr. Erlenborn. We see experiments being started in some institutions with deferred educational costs. I guess you could call them experimental programs at this time; but, if this were to grow and if the emphasis in the secondary market program were put at the educational institutional level, might you see the possibility of a sort of merger of these two ideas, so that all of the financial activities would then be centered at the institution, with deferred educational costs being borne almost entirely by the guaranteed student loan program?

Mr. Broadway. Not to defer your question, but to say that what concerns us most about the concept of the deferred tuition payment is the trend to shift the burden for educational financing to the students and away from society.

We have heard a great deal about the cost-benefit theory of financing higher education and I am not convinced, and I think many of my colleagues on the council are not convinced, that we should reverse the trend of financing higher education that we have had in this Nation for generations so quickly by placing an increased burden on the student to indenture his future.

I am glad to say that these "deferred tuition plans" are only experiments. We believe they place far too much emphasis on the future of students in attempting to solve our rather critical higher education finance problems. We should not relieve society of an obligation to provide for the future education of its citizens.

Mr. Erlenborn. Thank you, Madam Chairman.

Mrs. Green. Congressman Quie?

Mr. Quie. No, not right now.

Mrs. Green. I have a great many more and I suspect that Mr. Dellenback does, too, but we also have other student aid officers and I am most anxious to hear them this morning. I wonder if I could ask you people to stay and then we will hear from Mr. Purdy and his group and then we would direct questions to all of you depending on whether we have votes on the floor and how long you people can stay.

Mr. Broadway. May we express our appreciation to this committee especially for allowing us to appear first this morning in presenting testimony. We have some people with travel schedule problems.

We also thank our colleagues of the National Association of Financial Aid Administration for their courteous consent in rearranging the appearance order.

Mrs. Green. Mr. Purdy, will you and your group come up?

Mr. Purdy, would you introduce your colleagues on the panel?

STATEMENT OF ALLAN W. PURDY, DIRECTOR, STATE AND FEDERAL PROGRAM RELATIONS, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS; ACCOMPANIED BY GRANT E. CURTIS, DIRECTOR, FINANCIAL AID, TUFTS UNIVERSITY, MEDFORD, MASS.; DR. H. CARROLL PARISH, DEAN, FINANCIAL AIDS, UNIVERSITY OF CALIFORNIA, LOS ANGELES; MRS. EUNICE L. EDWARDS, DIRECTOR, FINANCIAL AIDS, FISK UNIVERSITY, NASHVILLE, TENN.; DR. RICHARD T. WOOTTON, DIRECTOR, FINANCIAL AID, ARIZONA STATE UNIVERSITY, TEMPE, ARIZ.; WALLACE H. DOUMA, DIRECTOR, FINANCIAL AID, UNIVERSITY OF WISCONSIN, MADISON, WIS.; DR. A. DALLAS MARTIN, ASSOCIATE DIRECTOR, FINANCIAL AID, UNIVERSITY OF NORTHERN COLORADO, GREELEY, COLO.; CHARLES J. SHEEHAN, DIRECTOR, STUDENT AID, UNIVERSITY OF NEW MEXICO, ALBUQUERQUE, N. MEX.; RICHARD TOMBAUGH, PURDUE UNIVERSITY, LAFAYETTE, IND.; AND MAURICE HEARTFIELD, GEORGE WASHINGTON UNIVERSITY, WASHINGTON, D.C.

Mr. Purdy. Madam Chairman, members of the committee: I am Allan W. Purdy, director of state and federal program relations for the National Association of Student Financial Aid Administrators. Here with me are Mr. Grant Curtis who is the president of the North East Association of Financial Aid people from Tufts University; Mr. Carroll Parish who is the president of our national association from the University of California, Los Angeles; Mrs. Eunice Edwards from Fisk University, president of the southern association; Mr. Richard Wootton from Tempe, Ariz., president of the western association; Mr. Wally Douma, University of Wisconsin, who is president of the midwest association; Mr. Dallas Martin, representing the

Rocky Mountain States from Northern Colorado University; and Mr. Charles Sheehan from New Mexico, southwestern group.

Mr. Dick Tombaugh will be talking with us later, from Purdue University.

I believe that is all we have in the frontline crew. We have a backup crew here.

Mrs. GREEN. That is a very impressive crew. Do proceed.

Mr. PURDY. The reason we have so many presidents is that we are actually divided into six regional groups and these are the leaders from each group.

As always, we are appreciative of the opportunity to appear before your committee. We have a short presentation which you have in your folder, and then we will welcome questions to follow.

We do work very closely with the State loan executives who were just appearing here and we certainly agree with their statement and we have some problems that I think we can work out together.

One other fellow, Mr. Maurice Heartfield—is he here or did he leave? Mr. Maurice Heartfield is from George Washington University here in the eastern association.

Presenting the written material we have here, the members of this subcommittee are very familiar with Federal student financial aid because during the past 13 years you have helped write the original programs and have helped in adding amendments to improve the effectiveness of their operation.

We are familiar with these programs because it is our responsibility to carry out the intent of Congress within the regulations set forth by the Commissioner of Education.

Due to the effectiveness of these programs we recommend that they be extended with revisions such as we suggested in previous testimony before this committee, and we have appended those suggestions at the back of this statement.

The educational opportunity grant (EOG) and the work-study programs each use Federal appropriations which do not return to the U.S. Treasury.

It was your intent in each program that the funds go to students who have a genuine need for help. On the final page of this testimony are the U.S. Office of Education summaries of the 4 fiscal years 1966 through 1969, showing how this money has been used. We will refer to that more specifically a little later, but suffice it to say that approximately one-third of it did go to students from families with annual gross incomes of less than $3,000, which is poverty level and below.

In 1969, the latest year for which data are summarized, 73 percent of the work-study money, and 91.8 percent of the EOG funds went to students from families with annual gross incomes of less than $7,500. Money used above the $7,500 level was received by students who had real need, when we take into account the number of dependent children, the number in college, unusual medical expenses, and other pertinent factors. We contend few social service programs can show a better record of having used the money more effectively as Congress intended.

We have encouraged high school graduates and college students to plan ahead and get their written applications in early so we would have time to evaluate their needs and inform them of the help which would be available for next year. They have followed our instructions and we need to be able to give them an answer. From a practical standpoint we think it is late indeed to consider major program changes for the 1971–72 school year.

There are some 250 more institutions including vocational schools and community colleges which are eligible and have been approved to participate in the financial aid programs for 1971–72. These are in addition to the number we had last year.

This fact, combined with the realities of inflation and unemployment, have created a combined need considerably greater than that of last year. The Administration has recognized these facts and has asked for increased funding. Therefore, if action could be taken to provide this increase along with forward funding, it would permit us to administer these programs with greater effectiveness.

The work-study program, now in its 7th year, has proved to be an excellent student aid program. It has provided an opportunity for deserving students to earn a portion of their educational expenses and thereby become partners in sharing the responsibility for developing their own potential. The students gain meaningful work experience, and at the same time make a valuable contribution to the operation of the school, or to off-campus community projects.

A program which will help to develop skills, maturity and responsibility certainly is one which should be continued without change. This is particularly important at this time of high unemployment when jobs for students are difficult to obtain.

The NDEA loan program has also proved to be a very successful method by which a student is enabled to carry a portion of the responsibility for his educational costs. Repayments are now making an estimated $105 million available annually for relending. This is helping to create a revolving fund which is one of the most practical means of providing loan funds for students in real need. We realize that annual appropriations of NDEA funds do show on the budget, but with an adjustment in teacher cancellation the cost of this program in the long run could be made less than that of the guaranteed loan programs. Hence, we strongly favor continuing the NDEA loans. Further evidence of the worth of this program is to be presented here today by Mr. Richard Tombaugh.

Turning our attention now to the administration's bill H.R. 5191, we agree with the concepts expressed that there should be no insurmountable economic barriers to obtaining postsecondary education and training for all who are able to benefit by attending college or by going to a vocational or technical school.

We are encouraged by the President's commitment that we move to make this a reality by providing assurance to the youth of our country that they can depend upon this. However, the administration's proposal still depends upon annual appropriations by Congress and annual allocations of funds by the Commissioner. Therefore, we see it as no better in this respect than the programs now in operation.

We also agree with targeting the Federal funds where there is the greatest need. In fact, the USOE report, which we will examine a bit more closely at the end of this report, substantiates that we are doing a good job of it. It may not be perfect, but it is good.

Another of our concerns is that the administration's bill does little to brighten the hopes of the lower middle income families, and I should say also the middle income families, who would be able to provide some assistance for their children to get an education.

For example, when the income goes over $7,500, indicating that one or both parents are working and making an honest effort to aid their children, then the grant and work benefits proposed in the administration's bill are eliminated and subsequent aid depends entirely on loans. Again, we contend that full funding of the present programs and improvements we have suggested will assist the needy student from these families to secure a postsecondary education.

Previously we have backed the idea of a secondary market or a warehousing plan to provide liquidity for the private lender. The theory is still a good one if a plan can be worked out with feasible operations provisions. It is doubtful that the suggestions made to date will entice the private lender to stay in the student loan business.

It is clear that a partnership of Federal, State and private fund resources is necessary. Creative and effective use of appropriated student aid funds dictates that the aid officers in the individual institutions have the flexibility to combine private, State, and Federal resources in packages of financial aid which are most beneficial to the largest number of deserving students.

If this Congress enacts legislation to provide full funding and the improvements proposed of already tested aid programs as outlined here, then the higher education of all deserving youth will become a reality.

Then here are some recommendations which we will not dwell on in detail because we have discussed them with you before, but we would like to enumerate them.

First, we suggest that the authorization for the programs be continued for perhaps 5 years or at least far enough ahead so that planning can be done.

All programs should be on a fiscal year basis and forward funded at least 1 year in advance so that notice to the students can be timely and not delayed until just weeks before the start of school.

Each program should provide a carryover of funds under such terms and conditions as may be established by the Commissioner. This would provide wise utilization of funds.

Exempt college and Federal loan programs from provisions of the Truth-in-Lending Act. We feel the borrower is protected by the information provided and the extra paperwork is probably not worth what it accomplishes.

Institutional authority to transfer funds between programs is hereby requested.

In the national defense loan recommendation, increase the undergraduate loan limits from $1,000 per academic year to $1,500 or more and raise the total which a student may borrow as an undergraduate from $5,000 to $7,500.

Allow an institution which determines that a defense loan is uncollectible after 18 months of due diligence to assign the note to the Commissioner and thus remove it from the institution's accounts. That has never been provided for.

Cancellation provisions for national defense loans for all first-time borrowers should be limited to death and permanent disability of the borrower, and perhaps teachers in rural and urban deprived areas.

Under EOG, extend an additional year of EOG eligibility to students enrolled in curricula where the normal completion period is 5 years.

Extend EOG eligibility for a period of one academic year, or its equivalent, beyond the normal time required for the completion of the regularly prescribed curriculum when it is necessary for the student to carry less than a full-time academic course load and the institution approves the program of study.

Eliminate the matching requirements for EOG.

Provide for a single authorization of funds to include both initial year and renewal awards with the proviso that renewal commitments be honored first.

College work-study requirements: We recommend funding and all accounting procedures attendant thereto be placed on a fiscal year basis as are the other programs. Otherwise the program remains unchanged.

In the federally insured loan recommendations, the mandatory grace and minimum repayment provision be permitted to be accelerated at the student's discretion or actually by an agreement between the student and the lender.

Graduate or professional loans should be increased to a maximum of $2,500 annually with a total aggregate of $10,000 allowable during the postgraduate and undergraduate years.

A satisfactory secondary market be established for federally insured loan paper.

The institution in certifying an application for an insured loan should be permitted to make a recommendation concerning the size of the loan and the student's eligibility for interest subsidy.

We have been criticized that the money is not going where it should. Take a look at the figures on the last page and we contend that this indeed is a good record of helping those from the low income categories and that very little of it is going to anyone from the gift or work program above the $9,000 level.

We do not have the exact figures for the NDEA program. They go a little higher than that. We defend this record and we think it is a good one, although we are told that there have to be changes because we are not doing a good job and we think this is evidence of the fact that we are doing a good job.

Madam Chairman, that is our brief presentation. There are many things which we could have dwelled on at length but we prefer now to discuss it in the form of questions and answers.

Mrs. GREEN. Thank you very much, Mr. Purdy.

First of all, and the time is limited, so I am going to try to keep my questions short, do you support the administration's $17,500 maximum with NDEA and GSL?

Mr. **Purdy**. We did not indicate maximums actually above the $10,000 except in special circumstances where a student——

Mrs. **Green**. But you do recommend $7,500 in NDEA and $10,000 in GSL, which comes to $17,500?

Mr. **Purdy**. Yes, that does add up to $17,500.

Mrs. **Green**. That is your recommendation?

Mr. **Purdy**. If it is under the approval of the financial aid man, I think this would be done only in case of medical students, advanced students for whom there would be a justifiable reason for this much debt.

Mrs. **Green**. May I suggest the medical students have a different program than that which we are talking about. In this committee we do not deal with their grant and loan program. It is handled by the Interstate and Foreign Commerce Committee.

Mr. **Purdy**. Yes, they do, but they still use the guaranteed loan program because their special bills have not been providing enough and they can get into multiple loans systems here.

Mrs. **Green**. Let me ask your reaction, the reaction of all of you, to a proposed major change in the thrust of the administration of the student aid programs. Let me outline it briefly:

That in EOG there would be a required yearly reevaluation of awards instead of the present situation of guaranteeing an award to a student for 4 years; that we turn over the administration of all of the student financial aid programs to the student financial aid officer and presumably the college in which the student financial aid officer operates would make the policy for that particular college; that the EOG would be funded at the present level; that the work-study would be greatly expanded, and it seems to me that this would help in cities where there are so many jobs that need to be done; and that the Congress would make two requirements and two requirements only.

We would say that a person who was to receive student financial assistance of any kind would have to be in good standing in the college in which he is enrolled and the college would make that determination; and he would have to show academic promise.

And the second provision which we had when we first started this, and which many colleges had prior to the Federal student aid package, that that individual would not be able to stay in school if he could not receive some kind of student financial assistance, that when the college receives the amount of money that they are entitled to under the State allocation formulas, when they receive the EOG, the work-study and the NDEA subsidized loans, then that college would decide the policy and they could mix them in any way they wanted to and they and they alone would be responsible for the administration of the program in determining need and to whom the funds would go.

I suggest this as an alternative because I have been concerned about guidelines and rules and regulations that have been issued from time to time that seem to me have warped the original congressional intent.

Now, that is briefly it and you may have questions, but could you respond?

Mr. **Purdy.** Yes. There are several parts to your question and I will try to remember them and go further.

Mrs. **Green.** The main thrust really is that outside of those two provisions there would be no directions from OE or from the Congress. The college makes the policy for that.

Mr. **Purdy.** Yes, and this gets back to a provision we had suggested and it was considered, but was not made part of the rules, and that is that funds allocated to the institution be permitted to be switched from one program to the other as we meet the needs on the individual campus.

We think this is a good idea. We like the flexibility of having the authority, the privilege of meeting the local needs with the monies available.

Mrs. **Green.** May I say, Mr. Purdy, that by and large this reflects the confidence that many of us on this committee have in student financial aid officers and the good job we think you have done, which was your closing comment.

Mr. **Purdy.** We are flattered by your statement. We think that in most cases this can be done. As was pointed out by our colleagues ahead of us, we know that there are institutions who are fairly new in the financial aid business that would need, in all honesty, some supervision and some way or another this maybe should be arranged for while we are making sure that every institution was adequately staffed to handle the financial aid. As was mentioned earlier, the larger institutions that have staffs that have been in the business, I think are ready for exactly this kind of a program, and would welcome it.

Mr. **Quie.** Would the gentlewoman yield?

Mrs. **Green.** Yes.

Mr. **Quie.** If that was the case, wouldn't there be a tendency on the part of institutions to put most of the money out in EOG's, less of the money out in work-study unless they get the work done in the college, because then it benefits the college and they probably would want to use it there, and very little of the money in loans?

Mr. **Purdy.** I doubt that, Congressman Quie. I think that we are committed to a balanced program and in fact I, personally, and I cannot speak for the others because we haven't discussed this, I personally would not object to having some sort of protection so that none of use could really subvert the intent of a balanced program for helping worthy students.

But I think we are committed to a balanced program in which we sit down with an individual student and work out his needs. It does need to be met in cases, parts of it with gift, parts of it with work, part of it with loans, and with the philosophy that we don't loan them so much to put them too much in debt, that we don't work them so much that we hurt their grades, and don't give them so much that we ruin them.

Mr. **Quie.** That is the thing that really worries me, though. We don't find people coming in testifying very much that we give so much we ruin them, but we have had testimony during the years, and especially when the program started, in opposition to the loan program in

1958, that we were going to have—most of the educators came before us, they didn't want that at all. They wanted a grant program and it was later on they came in to admit that they were mistaken, but that was to make sure they got the money for the loans because they wanted to at least have something.

Before we started the work-study they told us how dangerous it was to have students work so much. After that we were getting testimony saying it was good to work but if we hadn't given them the work-study program they would have continued giving us the testimony that it wasn't good to have them work.

Mr. PURDY. Well, I think that in the earlier testimony, and I listened to some of it about a grant program, some of the institutions at that time were actually thinking of a national scholarship program to bring in the elite to the colleges. It was thought of more as a scholarship program than an aid program. Some of the testimony at least would have indicated that a number of years ago. We have learned a lot of things.

Mrs. GREEN. I think Mr. Parish wants to respond.

Mr. PARISH. I think, Mr. Quie, that we are at the mercy of the appropriations of Congress and therefore the balanced package will be followed or at least would be in my estimation because of the fact that we want the money to come back as much as possible. In other words, we want a rotating fund as we have had in the NDSDL program because we know we cannot depend from year to year on certain stated appropriations and therefore we don't have anything coming back. We cannot help students in a certain area.

The 408 provision as you remember, was—we promised students of the 11th grade and below that we would take care of them and would have the money available when they made the choice to come to our institutions and fulfill their academic promise in high school, and, of course, we didn't have the money to give them, to extend that promise, to carry out that promise; and so we have been in a very bad situation. We have put in a great deal of our own money and developed a great deal which we should, of course, but it hasn't been enough.

So we do feel that loans have to be a part of this package. A lot of us do, anyway.

Mr. PURDY. Madam Chairman, while we still have time, I hope we can hear Mr. Tombaugh who has a very interesting preliminary report on an NDEA study. Would you want that now or perhaps a few minutes later?

Mrs. GREEN. Congressman Dellenback?

Mr. DELLENBACK. Why don't we go ahead and hear the rest of the testimony? This will be all right with me. We can then go into testimony while time permits.

Mr. TOMBAUGH. Does everyone on the committee have two documents which I gave to Mr. Hogan earlier? One is the questionnaire itself which has the percentage of responses in it and the other is a summary?

I have some additional copies here.

(The documents referred to above follow:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

NATIONAL DEFENSE STUDENT LOAN BORROWERS STUDY

1. HOW MUCH DID YOU BORROW UNDER THE NATIONAL DEFENSE STUDENT LOAN PROGRAM FOR YOUR UNDERGRADUATE EDUCATION?

29 A ☐ $ 500 OR LESS
29 B ☐ $ 501 - $1,000
29 C ☐ $1,001 - $2,000
10 D ☐ $2,001 - $3,000
2 E ☐ $3,001 - $4,000
0 F ☐ $4,001 - $5,000

2. DID YOU BORROW UNDER NDSL FROM MORE THAN ONE INSTITUTION AS AN UNDERGRADUATE?

10 A ☐ YES
90 B ☐ NO

3. HOW MUCH, IF ANY, DID YOU BORROW IN LONG-TERM LOANS FROM ALL SOURCES OTHER THAN NDSL FOR YOUR UNDERGRADUATE EDUCATION?

65 A ☐ NONE
9 B ☐ $ 500 OR LESS
9 C ☐ $ 501 - $1,000
8 D ☐ $1,001 - $2,000
4 E ☐ $2,001 - $3,000
1 F ☐ $3,001 - $4,000
1 G ☐ $4,001 - $5,000
1 H ☐ $5,001 OR MORE

4. DURING WHICH YEAR OF UNDERGRADUATE SCHOOL DID YOU OBTAIN YOUR LAST (OR MOST RECENT) NDSL LOAN FOR YOUR UNDERGRADUATE EDUCATION?

11 A ☐ FRESHMAN
13 B ☐ SOPHOMORE
14 C ☐ JUNIOR
61 D ☐ SENIOR

5. HOW MANY YEARS OF UNDERGRADUATE SCHOOL HAVE YOU COMPLETED?

2 A ☐ LESS THAN 1
5 B ☐ 1 OR 1½
6 C ☐ 2 OR 2½
4 D ☐ 3 OR 3½
84 E ☐ 4 (INCLUDING 5-YEAR PROGRAMS)

6. WHAT WAS YOUR ENROLLMENT STATUS AS AN UNDERGRADUATE STUDENT?

85 A ☐ ENTIRELY FULL-TIME
12 B ☐ PRIMARILY FULL-TIME
2 C ☐ PRIMARILY PART-TIME
0 D ☐ ENTIRELY PART-TIME

7. DID YOU FIND IT NECESSARY TO INTERRUPT YOUR UNDERGRADUATE STUDIES PRIOR TO COMPLETION OF YOUR DEGREE? IF SO, WHAT INFLUENCE DID YOUR STUDENT LOAN INDEBTEDNESS HAVE IN THAT DECISION?

67 A ☐ NO INTERRUPTION WAS NECESSARY
18 B ☐ MY STUDIES WERE INTERRUPTED, BUT INDEBTEDNESS HAD LITTLE OR NOTHING TO DO WITH IT
8 C ☐ MY STUDIES WERE INTERRUPTED, BUT INDEBTEDNESS WAS ONLY ONE OF THE CONTRIBUTING FACTORS
4 D ☐ MY STUDIES WERE INTERRUPTED, AND INDEBTEDNESS WAS THE MAJOR REASON

8. WHAT WAS YOUR APPROXIMATE UNDERGRADUATE GRADE AVERAGE?

6 A ☐ A
50 B ☐ B OR B+
42 C ☐ C OR C+
.2 D ☐ BELOW C

9. HAVE YOU PURSUED YOUR EDUCATION BEYOND THE UNDERGRADUATE LEVEL?

50 A ☐ NO
25 B ☐ PARTIAL MASTER'S DEGREE
13 C ☐ COMPLETED MASTER'S DEGREE
4 D ☐ PARTIAL DOCTORATE
1 E ☐ COMPLETED DOCTORATE
6 F ☐ OTHER PROFESSIONAL DEGREE (I.E., LLB, MD, ETC.)

10. WHAT INFLUENCE DID YOUR UNDERGRADUATE LOAN INDEBTEDNESS HAVE ON YOUR PURSUIT OF GRADUATE STUDIES?

43 A ☐ I HAVE NOT PURSUED GRADUATE STUDY, BUT THE LOAN INDEBTEDNESS HAD LITTLE OR NOTHING TO DO WITH IT
7 B ☐ I HAVE NOT PURSUED GRADUATE STUDY, BUT THE LOAN INDEBTEDNESS WAS ONLY ONE OF THE CONTRIBUTING FACTORS
1 C ☐ I HAVE NOT PURSUED GRADUATE STUDY, AND THE LOAN INDEBTEDNESS WAS THE MAJOR REASON
35 D ☐ I HAVE DONE GRADUATE STUDY WITHOUT ANY PARTICULAR REFERENCE TO MY UNDERGRADUATE INDEBTEDNESS
2 E ☐ I HAVE DONE GRADUATE STUDY, BUT THE LOAN INDEBTEDNESS CAUSED ME TO POSTPONE MY ENROLLMENT OR CARRY A LIGHTER COURSE LOAD
8 F ☐ I HAVE DONE GRADUATE STUDY, FINANCED THROUGH FURTHER LOANS
3 G ☐ I HAVE DONE GRADUATE STUDY WITHOUT FURTHER BORROWING, BUT ANTICIPATE THE NEED TO DO SO BEFORE COMPLETION

11. PLEASE IDENTIFY YOUR SEX

54 A ☐ MALE
46 B ☐ FEMALE

12. PLEASE IDENTIFY YOUR RACE

93 A ☐ WHITE
6 B ☐ BLACK
1 C ☐ OTHER (SPECIFY)

13. HAVE YOU RECEIVED DEFERMENT OF NDSL REPAYMENT AT ANY TIME FOR ANY OF THE FOLLOWING REASONS?

23 A ☐ ADDITIONAL EDUCATION
9 B ☐ MILITARY SERVICE
1 C ☐ PEACE CORPS OR VISTA
2 D ☐ FINANCIAL HARDSHIP
62 E ☐ NO DEFERMENT HAS BEEN RECEIVED

14. WHAT TYPE OF REPAYMENT PLAN ARE YOU NOW USING FOR YOUR NDSL DEBT?

47 A ☐ ANNUAL
4 B ☐ QUARTERLY
0 C ☐ BI-MONTHLY
5 D ☐ MONTHLY
32 E ☐ TEACHER CANCELLATION
10 F ☐ DEFERMENT

15. REPAYMENT PLANS MAY BE ADJUSTED BY MUTUAL AGREEMENT BETWEEN THE LENDER AND THE BORROWER. HAS YOUR PLAN BEEN CHANGED SINCE YOU TERMINATED YOUR UNDERGRADUATE EDUCATION?

91 A ☐ NO
6 B ☐ YES; AT MY REQUEST
2 C ☐ YES; AT INSTITUTION'S REQUEST

16. HOW IS (WAS) YOUR NDSL DEBT BEING REPAID?

35 A ☐ YOUR INCOME ONLY
6 B ☐ SPOUSE'S INCOME ONLY
13 C ☐ JOINT INCOME
3 D ☐ YOUR PARENTS OR SPOUSE'S PARENTS
37 E ☐ TEACHER CANCELLATION
4 F ☐ OTHER (SPECIFY)

17. DID YOU RECEIVE A FULL EXPLANATION OF THE TERMS AND CONDITIONS OF YOUR NATIONAL DEFENSE LOAN AT THE TIME THE MONEY WAS FIRST LOANED TO YOU?

80 A ☐ YES 15 B ☐ DON'T RECALL 5 C ☐ NO

18. WERE YOU PROVIDED WITH REPAYMENT INSTRUCTIONS PRIOR TO YOUR DEPARTURE FROM THE COLLEGE OR UNIVERSITY PROVIDING YOUR FIRST LOAN?

67 A ☐ YES 14 B ☐ DON'T RECALL 18 C ☐ NO

19. DID YOU RECEIVE A WRITTEN NOTICE OR BILLING OF THE AMOUNT AND DUE DATE FOR YOUR FIRST REPAYMENT INSTALLMENT?

31 A ☐ YES
11 B ☐ NO
7 C ☐ FIRST REPAYMENT NOT YET DUE

20. HAVE YOU RECEIVED SUBSEQUENT REGULAR NOTICES OR BILLINGS PRIOR TO THE TIME THAT INSTALLMENT REPAYMENTS WERE DUE?

67 A ☐ YES
18 B ☐ NO
15 C ☐ NOT APPLICABLE

21. WHAT IS THE CURRENT STATUS OF YOUR NATIONAL DEFENSE STUDENT LOAN?

6 A ☐ LOAN IS FULLY PAID OFF
4 B ☐ I AM PAYING AHEAD OF SCHEDULE
37 C ☐ I AM PAYING ON SCHEDULE
32 D ☐ I AM USING TEACHER CANCELLATION
13 E ☐ I AM USING DEFERMENT
7 F ☐ I AM BEHIND ON PAYMENT(S)

22. IF YOU ARE BEHIND ON YOUR SCHEDULED REPAYMENT, HAS YOUR LENDING INSTITUTION (OR ITS COLLECTION AGENT) CONTACTED YOU?

A ☐ NEVER
B ☐ ONCE ONLY
C ☐ TWO OR THREE TIMES
D ☐ SEVERAL TIMES

23. HAVE YOU TAUGHT IN AN EDUCATIONAL INSTITUTION (ELEMENTARY, SECONDARY, OR POST-SECONDARY) ON A FULL-TIME BASIS DURING ANY YEAR SINCE TERMINATING YOUR UNDERGRADUATE STUDIES?

48 A ☐ YES
52 B ☐ NO

IF NO HAS BEEN CHECKED IN ITEM 23 PROCEED TO QUESTION 30

24. HAVE YOU OBTAINED PARTIAL CANCELLATION OF LOAN PRINCIPAL AND INTEREST FOR EACH YEAR OF TEACHING?

83 A ☐ YES
2 B ☐ NO; I WAS NOT AWARE OF THIS PROVISION
7 C ☐ NO; I WAS AWARE OF THIS PROVISION BUT HAVE NOT REQUESTED THE CANCELLATION
2 D ☐ NO; MY REQUEST FOR CANCELLATION HAS BEEN DENIED

25. WERE YOU PLANNING TO TEACH PRIOR TO THE TIME YOU RECEIVED YOUR FIRST NATIONAL DEFENSE STUDENT LOAN?

81 A ☐ YES
15 B ☐ NO

26. WERE YOU AWARE OF THE TEACHING CANCELLATION PROVISION AT THE TIME YOU BORROWED?

87 A ☐ YES
10 B ☐ NO

27. DID THE AVAILABILITY OF A NATIONAL DEFENSE LOAN INFLUENCE YOUR DECISION TO ENTER THE TEACHING PROFESSION?

6 A ☐ DEFINITELY
19 B ☐ POSSIBLY
71 C ☐ NOT AT ALL

28. DID THE CANCELLATION PROVISION GIVE YOU ADDITIONAL INCENTIVE TO ENTER THE TEACHING PROFESSION?

13 A ☐ DEFINITELY
30 B ☐ POSSIBLY
54 C ☐ NOT AT ALL

29. HAS THE CANCELLATION PROVISION INFLUENCED YOU TO REMAIN IN TEACHING LONGER THAN YOU WOULD HAVE OTHERWISE?

5 A ☐ DEFINITELY
18 B ☐ POSSIBLY
73 C ☐ NOT AT ALL

30. IN ORDER THAT WE MIGHT DETERMINE THE CORRELATION BETWEEN POST-HIGHER EDUCATION INCOME AND REPAYMENT OF STUDENT LOANS, PLEASE INDICATE THE APPROXIMATE ANNUAL GROSS INCOME (BEFORE TAXES AND DEDUCTIONS; INCLUDE HELP FROM PARENTS, INHERITANCE, ETC.)

YEAR	YOUR INCOME	SPOUSE'S INCOME, IF ANY
1966		
1967		
1968		

31. INDICATE THE MOST APPROPRIATE JOB FIELD OR STATUS WHICH HAS OCCUPIED THE LARGEST PROPORTION OF YOUR TIME SINCE TERMINATING YOUR UNDERGRADUATE EDUCATION IN 1964-65.

5 A ☐ ARCHITECTURE AND ENGINEERING
2 B ☐ MATHEMATICS AND PHYSICAL SCIENCES
0 C ☐ LIFE SCIENCES
2 D ☐ SOCIAL SCIENCES
4 E ☐ MEDICINE AND HEALTH
36 F ☐ EDUCATION (NONSTUDENT)
1 G ☐ LAW
1 H ☐ RELIGION AND THEOLOGY
2 I ☐ WRITTEN AND VISUAL ARTS, ENTERTAINMENT, RECREATION
6 J ☐ ADMINISTRATIVE SPECIALITIES AND MANAGERIAL WORK
3 K ☐ OTHER PROFESSIONAL ACTIVITIES
3 L ☐ CLERICAL WORK
2 M ☐ SALES
2 N ☐ PERSONAL AND PUBLIC SERVICES
0 O ☐ FARMING, FORESTRY, ETC.
1 P ☐ PROCESSING, MACHINE TRADES, BENCH AND STRUCTURAL WORK (SUBPROFESSIONAL LEVEL)
7 Q ☐ HOMEMAKER
7 R ☐ STUDENT
8 S ☐ MILITARY SERVICE
0 T ☐ VOLUNTEER SERVICE
3 U ☐ OTHER (SPECIFY)

32. DID YOUR STUDENT LOAN INDEBTEDNESS HAVE ANY INFLUENCE UPON YOUR CHOICE OF FIRST POSITION AFTER TERMINATING UNDERGRADUATE STUDIES?

89 A ☐ NONE AT ALL
3 B ☐ YES; I TAUGHT IN ORDER TO RECEIVE CANCELLATION BENEFITS
2 C ☐ YES; I SELECTED A HIGHER PAYING POSITION OVER ONE I WOULD HAVE PREFERRED OTHERWISE
3 D ☐ YES; I WENT TO WORK TO PAY BACK LOAN, BUT WOULD HAVE PREFERRED TO ENTER GRADUATE SCHOOL

EARLIER YOU FOUND IT NECESSARY TO BORROW A PORTION OF YOUR EDUCATIONAL COSTS. WHAT WOULD YOU DO IF YOU WERE FACED WITH THE SAME SITUATION AGAIN, I.E., INSUFFICIENT FUNDS FOR COMPLETING YOUR UNDERGRADUATE STUDIES? PLEASE INDICATE YOUR FEELINGS BY SELECTING THE MOST APPROPRIATE RESPONSES TO THE FOLLOWING QUESTIONS:

33. FACED WITH INADEQUATE FUNDS FOR MY EDUCATION, I WOULD BE INCLINED

7 A ☐ NOT TO BORROW AT ALL FOR UNDERGRADUATE WORK
11 B ☐ TO BORROW AS BEFORE, BUT ATTEMPT TO MANAGE WITH A LESSER AMOUNT
61 C ☐ TO BORROW AS BEFORE, AT ABOUT THE SAME AMOUNT
20 D ☐ TO BORROW AS BEFORE, BUT AT A HIGHER LEVEL

34. IF YOU CHOSE RESPONSE A OR B TO QUESTION 33, WHAT STEPS WOULD YOU TAKE TO ELIMINATE OR REDUCE YOUR BORROWING?

A ☐ WORK (OR MORE WORK) ON A FULL-TIME BASIS DURING THE SUMMER
B ☐ WORK (OR MORE WORK) ON A PART-TIME BASIS DURING THE SCHOOL YEAR
C ☐ OBTAIN MORE SUPPORT FROM PARENTS OR OTHER FAMILY MEMBER
D ☐ SEEK OTHER SCHOLARSHIP OR GRANT AID
E ☐ INTERRUPT STUDIES TO WORK AND SAVE THE NECESSARY FUNDS

35. DO YOU FEEL THAT BORROWING INSTEAD OF WORKING (OR WORKING MORE) PERMITTED YOU TO CONCENTRATE MORE FULLY ON YOUR STUDIES?

67 A ☐ DEFINITELY
23 B ☐ POSSIBLY
9 C ☐ NO

36. DO YOU FEEL THAT BORROWING INSTEAD OF WORKING (OR WORKING MORE) ALLOWED YOU TO UTILIZE MORE FULLY THE NONACADEMIC ELEMENTS OF COLLEGE (SOCIAL, ACTIVITIES, RECREATION, ATHLETIC)?

42 A ☐ DEFINITELY
30 B ☐ POSSIBLY
27 C ☐ NO

37. IF A YOUNGER BROTHER (OR SISTER), OR YOUR OWN SON (OR DAUGHTER) ASKED YOUR ADVICE ABOUT BORROWING FOR COLLEGE, HOW WOULD YOU RESPOND? I WOULD RECOMMEND:

46 A ☐ IT HIGHLY AS A MEANS(OF COLLEGE FINANCING
25 B ☐ IT WITH RESERVATIONS
28 C ☐ AGAINST BORROWING UNLESS ABSOLUTELY NECESSARY
0 D ☐ AGAINST IT UNDER ANY CIRCUMSTANCES

38. FOR THE AMOUNT OF BORROWING THAT YOU DID, DO YOU FEEL THAT THE NATIONAL DEFENSE LOAN REPAYMENT PROVISIONS:

17 A ☐ ALLOW MORE TIME THAN NECESSARY TO REPAY THE LOAN
78 B ☐ ALLOW AN APPROPRIATE REPAYMENT PERIOD
4 C ☐ SHOULD ALLOW REPAYMENT OVER A LONGER PERIOD OF TIME THAN THE PRESENT TEN-YEAR ARRANGEMENT

39. HOW DID YOUR NATIONAL DEFENSE LOAN AFFECT YOUR SELECTION OF THE COLLEGE YOU ATTENDED?

24 A ☐ I WOULD NOT HAVE BEEN ABLE TO ATTEND OR COMPLETE COLLEGE AT ALL WITHOUT THE LOAN
10 B ☐ I WAS ABLE TO ATTEND A MORE PREFERABLE COLLEGE OR CURRICULUM THAN WOULD HAVE OTHERWISE BEEN POSSIBLE
65 C ☐ MY CHOICE OF COLLEGE OR CURRICULUM WAS NOT INFLUENCED BY THE LOAN

40. WHAT IS YOUR CURRENT MARITAL STATUS?

20 A ☐ SINGLE-NEVER MARRIED
77 B ☐ MARRIED
3 C ☐ SEPARATED OR DIVORCED
0 D ☐ WIDOWED

41. IF YOU HAVE NEVER BEEN MARRIED, DO YOU FEEL THAT YOUR STUDENT LOAN INDEBTEDNESS HAS HAD ANY INFLUENCE UPON THAT FACT?

75 A ☐ NONE AT ALL
15 B ☐ PERHAPS, BUT NOT A BIG FACTOR
4 C ☐ DEFINITELY WAS INFLUENTIAL

BORROWERS WHO HAVE NOT BEEN MARRIED HAVE COMPLETED THE SURVEY. THANK YOU FOR YOUR COOPERATION. A FEW MORE QUESTIONS REMAIN FOR THOSE WHO ARE CURRENTLY MARRIED OR HAVE BEEN MARRIED PREVIOUSLY.

42. AT WHAT POINT IN TIME WERE YOU MARRIED?

8 A ☐ PRIOR TO BEGINNING UNDERGRADUATE STUDIES
12 B ☐ DURING UNDERGRADUATE STUDIES, BUT PRIOR TO BORROWING
24 C ☐ AFTER BORROWING, BUT PRIOR TO TERMINATING STUDIES
56 D ☐ AFTER TERMINATING UNDERGRADUATE STUDIES

43. DID YOUR UNDERGRADUATE LOAN INDEBTEDNESS CAUSE YOU TO POSTPONE YOUR MARRIAGE AT ANY TIME?

1 A ☐ DEFINITELY WAS A DELAYING FACTOR
6 B ☐ WAS PERHAPS A CONSIDERATION
89 C ☐ DID NOT INFLUENCE MY MARRIAGE PLANS

44. DID YOUR UNDERGRADUATE INDEBTEDNESS INFLUENCE YOU AND YOUR SPOUSE IN PLANNING FOR A FAMILY?

9 A ☐ DEFINITELY INFLUENTIAL
15 B ☐ WAS PERHAPS A CONSIDERATION
74 C ☐ DID NOT AFFECT FAMILY PLANNING ONE WAY OR ANOTHER

45. DID YOUR SPOUSE INCUR ANY EDUCATIONAL DEBT FOR UNDERGRADUATE STUDY?

74 A ☐ NONE AT ALL	3 E ☐ $2,001 TO $3,000
7 B ☐ UP TO $500	2 F ☐ $3,001 TO $4,000
7 C ☐ $ 501 TO $1,000	0 G ☐ $4,001 TO $5,000
6 D ☐ $1,001 TO $2,000	0 H ☐ $5,001 OR MORE

46. IF YOUR SPOUSE BORROWED, HOW IS THAT LOAN BEING REPAID?

23 A ☐ SPOUSE'S INCOME ONLY
10 B ☐ YOUR INCOME ONLY
33 C ☐ JOINT INCOME
3 D ☐ YOUR PARENTS OR SPOUSE'S PARENTS
17 E ☐ TEACHER CANCELLATION
8 F ☐ OTHER (SPECIFY)

47. IF YOU HAVE CHILDREN, PLEASE INDICATE THEIR AGES.

48. COMMENTS:

NATIONAL DEFENSE BORROWERS STUDY

(By Richard L. Tombaugh)

I. SUMMARY OF THE STUDY

This study was conducted by the Division of Student Financial Aid, U.S. Office of Education, during Fiscal Year 1970. The population studied consisted of those National Defense Student Loan borrowers who terminated their education through graduation, transfer, or withdawal during FY 65. This particular group was selected because of their opportunity to borrow under the NDSL program for four consecutive years, yet be potentially out of school for five years at the time of the study.

The sample consisted of 25% of the terminal borrowers at 25% of the institutions participating in the NDSL program for the four years prior to and including FY 65. Analysis was limited to those who had borrowed as undergraduates, but a sub-study will be forthcoming on graduate borrowers as well.

The study had four basic goals or purposes:

A. To evaluate borrower attitudes toward borrowing for college.

B. To evaluate repayment performance and its relationship to several borrower characteristics thought to influence loan repayment.

C. To evaluate the teacher cancellation provisions and the manner in which the intent of these provisions are being realized.

D. To evaluate the importance of good institutional administraton to borrower attitudes and timely repayment.

II. SUMMARY OF RESPONSE

Institutions in sample	342
Returns not usable	7
Not participating	23
Total participating institutions	312
Percent of participation	91.2
Questionnaires mailed	6,962
Not deliverable	120
Returned, not usable	281
Returned too late	38
Not returned	1,468
Total usable questionnaires	5,055
Percent usable of mailed	72.6
Percent usable of delivered	73.9
Percent not returned	21.0

III. PRELIMINARY CONCLUSIONS

1. 77.3% were highly favorable or favorable in their attitude about borrowing.

2. There was no loss of favor as the amount borrowed increased.

3. Less than 1% were unfavorable in their attitudes. Only when the amount borrowed exceeded $7000 (4 cases) did the percentage expressing disfavor exceed 1%.

4. Those who borrowed only as freshmen were somewhat less favorable than those who borrowed more closely to their termination. The later in their undergraduate career the borrowing, the more favorable the attitudes. Probably reflects the dropout problem.

5. Favorable attitudes increase parallel to years of education completed. More than half the borrowers having unfavorable attitudes completed less than 4 years of higher education (28/43).

6. Those with high GPA's had more favorable attitudes, but the disfavor was not limited to those with low GPA's. Most of the variation was contained in ambivalence.

7. There is no significant difference in the attitudes toward borrowing of the males and females.

	Percent favorable
Male	78.1
Female	76.6

8. Blacks are somewhat less favorable than either whites or other races, but not significantly more unfavorable, the variation again being in neutral feelings.

	Percent Favorable
White	78
Other	75
Black	67

9. Attitudes toward borrowing appear highly correlated to the borrower's perception of the quality of loan administration on the part of the institution.

10. While favorable attitudes increase with average annual income, the change is probably not statistically significant. However, when occupation is considered, disfavor seems to center in clerical, sales, and blue collar jobs.

Those borrowers in the professions and teaching express the most satisfaction with their loan experience. Deferment also keeps students and those in the volunteer services happy about their loan.

11. As might be expected, those borrowers who have separated or divorced have less favorable attitudes about their loans than those who have remained single or who have married and remained so.

	Percent favorable
Single	80.2
Married	76.9
Divorced	72.2

12. Those borrowers attending four year institutions are more favorable about the loans than those who borrowed at two year schools. There seems to be no difference between public and private school borrowers.

13. In repayment performance:

(a) men and women pay on schedule or prepay at almost identical rates;
(b) men use much more deferment opportunity (21% :5.2%);
(c) women take more advantage of cancellation (41% :24.5%); and
(d) men are slightly more prone to be delinquent (7.7% :6.3%).

14. In repayment performance:

(a) the percentage of those paying on schedule and prepaying decreases as the amount of the NDSL loan increases;
(b) use of deferments increases as the NDSL amount borrowed increases;
(c) use of cancellation remains fairly constant regardless of NDSL amount borrowed; and
(d) the delinquency rate remains fairly constant (7.7, 6.6, 6.6, 6.5) until NDSL borrowing exceeds $3000 (13.3, 16.7).

15. When considering the total amount borrowed, the previous conclusions prevail, except that the delinquency rate jumps when the amount exceeds $6000.

16. In repayment performance:

(a) those borrowers who fail to finish four years pay on schedule as well as those who complete, but their delinquency rate is higher due to the limited opportunity for deferment and cancellation; and

(b) those who have gone on beyond the master's level have been utilizing deferment and/or cancellation most of the five years since termination, and thus have a limited repayment record.

17. As attitudes concerning borrowing move from positive to negative, the percentage of those paying on schedule and prepaying *increases.*

18. Use of deferments does not vary significantly with differing attitudes toward borrowing.

19. There is a strong relationship between favorable attitudes and use of cancellation.

20. Delinquency rates increase as attitudes move from positive to negative.

21. There is very little difference in repayment performance when the GPA is C or above. Those below a C average repay on time or prepay much more frequently, but they also have a higher delinquency rate. They use cancellation much less, presumably due to the teacher screening process.

22. White borrowers are somewhat more apt to prepay or pay on schedule than blacks (47.8% :36.5), and conversely less likely to be delinquent. However, it is likely to be closely related to the collection procedures of the institution.

23. Borrowers repaying annually are more likely to pay on schedule and have a lower delinquency rate than those paying more frequently, but they also are less likely to prepay their loans.

24. The likelihood of paying on schedule and of being delinquent are closely related to the borrower's perception of administrative quality. However, the administrative quality does not seem to affect the use of deferments, cancellations or the use of prepayment.

25. As might be expected, there is a direct relationship between paying on schedule or prepaying and average annual income. However, the relationship is not nearly so strong with the delinquency rate because of the substantial use of deferment by the lower incomes (students, military, volunteer service).

Mr. DELLENBACK. We have enough. Go ahead.

Mr. TOMBAUGH. This study was conducted during a year of leave of absence which I took from my institution and worked within the Office of Education and the data were collected during that time and have been in the process of analysis since then.

Mr. DELLENBACK. If you will excuse me interrupting just a moment, we don't know what we are going to face on the floor today. We know we are getting into the amending process on the draft extension and it is going to be very shortly that we are going to get bells to appear. I am sure it is in accordance with the wish of the chairman that if you could summarize what you have to say, emphasize that which you consider most important, if you will, and then give us a chance to go to the questions if we may do that.

Mr. TOMBAUGH. Fine.

I will simply call out a number of questions that I think are interesting in the questionnaire itself and then you can read the summary at a later time.

First of all, 87 percent of the borrowers in this study borrowed less than $2,000. So the amount of borrowing at this point does not seem to be reaching a dangerous point.

Sixty-five percent of them found it possible to borrow the entire amount they needed from the NDSL program and did not have to go out and double up on borrowing. Sixty-one percent of them borrowed in their senior year and perhaps previously, so that most of them were using it throughout the span that they were undergraduates. Eighty-four percent completed their 4- or 5-year-undergraduate program. Eighty-five percent were going to school entirely full time; and 67 percent found it not necessary to interrupt their studies.

Only 2 percent had grade averages below C.

In question 16 it indicates that only 3 percent of the NDEA loans in this study are being repaid by the parents, that the students are taking care of it themselves either through payments or cancellations.

In 17, 18 and 19, a very high percentage of the students are receiving good information and billing, and so forth, from their institutions. It should be higher, particularly 18, with the exit interview situation, but the percentages are not too bad.

Seven percent of the study sample indicated that they were behind on their payments but that could be 1 month behind as well as a longer period and there is no way of identifying those that are entirely delinquent.

They are fairly evenly split between those who taught and did not teach. They are well informed about the cancellation provisions. Eighty-one percent planned to teach before they even took out their loan which might suggest they borrowed because they were going into teaching as opposed to going into teaching because they could get the loan.

In question 27, 71 percent said the availability of the national defense loan did not influence their decision to go into teaching.

Fifty-four percent said the cancellaion provisions did not entice them into teaching, and 73 percent said it had no influence in keeping them in teaching longer than they would have otherwise done.

In question 32, 89 percent said their indebtedness had no influence at all on their first job. In No. 33, 81 percent said they would borrow at least ts much, or more, if they had had to do it over again. In No. 37 a very high proportion either approve of borrowing highly or with some reservations.

In No. 38, and I think this one speaks very directly to whether we need to go to a longer repayment period, 78 percent feel that their NDEA repayments period is adequate and only 4 percent think it ought to be extended over a longer period of time.

In No. 41, 75 percent who have not married say that their loan had no influence on that. So we don't seem to be deterring the marriage rate anyway by borrowing. In fact, 44 percent of the borrowers were married before they even terminated their undergraduate studies.

Eighty-nine say that their loan did not influence their marriage plans. So it didn't postpone their marriage.

Family planning is affected a little more, but still 74 percent say it didn't affect it one way or another.

Another interesting one, many people have been concerned about stacking the loans of two people together into one household, but 74 percent of these people have married those with no loans at all. [Laughter.]

Mr. Tombaugh. All of the figures on the questionnaire are the percent of the sample respondents to that question. Some of them don't add up to 100 because of rounding and no response to individual items.

I have about 10 pages of computer printouts which, frankly, I got last week and have not had a chance to really study extensively, but I have tried to summarize some of the major things in this little short summary here. Some of them may have to be revised after I have had a chance to look at all the implications, but I think by and large it would indicate that for those students who have borrowed under national defense, first of all, they are very, very happy with the program. They feel the institutions are doing a good job in taking care of their borrowing needs and repayment needs and I don't know whether there are very many Federal programs that have that good an acceptance among the constituency.

Mrs. Green. This represents 72 percent return on the questionnaires?

Mr. Tombaugh. Yes.

Mrs. Green. Scattered all over the country?

Mr. Tombaugh. All over the country, all kinds of institutions. The sample was determined to be representative in both 2-year and 4-year institutions, public and private institutions. They were selected by States so that there is a proportional number of institutions within each States who were selected in the sample. They also are representative in terms of the size of the borrowing programs. In other words, small programs are represented as well as large.

Mr. PURDY. What years?

Mr. TOMBAUGH. The group studied terminated their education in fiscal year 1965 which meant that at the time we made the study they had been out of school 5 years.

Now, many of them had gone on to graduate school, some were junior college transfers, some were in school part of that time, but they are the first group to really have an opportunity to borrow all 4 years of NDSL, had they chosen to do so.

Mrs. GREEN. And it was really before EOG and work-study got out?

Mr. TOMBAUGH. That is right.

Mrs. GREEN. Let me ask one quick question.

Would all of you people favor putting NDEA on a revolving basis with the cancellation giving only to those teachers who teach in areas where we find it most difficult to get teachers?

Mr. PURDY. Yes.

Mr. PARISH. Yes.

Mrs. GREEN. So there would be Government obligation in it each year and we would not be dependent on BOB.

Mr. DELLENBACK. Thank you, Madam Chairman. May I follow with a brief question, the last point to which you made a comment, irrespective of the revolving or nonrevolving, so we understand you as saying that you would feel we should eliminate cancellation provisions that are in the present law with the exception of the two points that you made, Mr. Purdy, in your testimony, namely, death or permanent disabilities, point one, and, two, teachers in rural and urban deprived areas? With those two exceptions, you would advocate the elimination of the cancellation provisions?

Mr. PURDY. Right.

Mr. DELLENBACK. I think that is an extremely important point and—that——

Mr. QUIE. Do you specify the area of the country?

Mr. STEIGER. Did you talk to the chairman before you came?

Mrs. GREEN. The chairman of what, Bill?

Mr. DELLENBACK. To go on further with questioning, Mr. Purdy, would you place any maximums on the total of the work study and EOG grants that could be given to any given student? Would you propose the elimination of all ceilings on this so that whatever funds are made available in this discretionary utilization between grants, work-study and loan, that there would be no limitation on how high you could go?

Mr. PURDY. Well, I don't know that we need to have the complete elimination of reasonable ceilings.

Now, we have a ceiling of $1,000 on EOG, work-study limited to the 15-hour week, which makes a pretty reasonable package really, and as time goes on, I think we should watch this and I am not speaking for anybody else here but for myself. I think this is a reasonable limitation that we could live with for another year or two yet until we see how things are working out.

Mr. **Dellenback.** In the basic bill which was introduced by Mr. Quie and some of the rest of us, as you know, there is a breakdown of the line between EOG and work-study with the intention of turning to the student aid officer and you can weave thsese two in together with that portion of the grant being in one and that portion being in work-study that ought to be. You approve of this concept?

Mr. **Purdy.** We do not approve of the $1,000 limitation.

Mr. **Dellenback.** I am talking about whether you approve of the weaving together.

Mr. **Purdy.** Yes, we can handle the weaving in together. We can handle that.

Mr. **Dellenback.** All right. Do you approve of the provision or suggestion that there be as much as a 70-percent increase as the bill calls for in the total of grants and work-study?

Mr. **Purdy.** We need a marked increase in order to take care of the problems. We have got an economic situation here. For example, in the work-study program, keeping up with federally imposed minimum wages which have gone up 15 cents an hour each year for 4 consecutive years, and that is good—literally it means that if we don't get more money, we can hire fewer students each year. We need to keep up with the expanding needs of students on a reasonable basis and so these increased appropriations amounts are needed.

Mr. **Dellenback.** You realize the problem the Congress faces. Ideally, when we as people concerned about education talk to others who are concerned about education, if we were in the best of all possible worlds, we could just have any amount of money that we wanted and that would take care of anything and we might not even have to bother about loans; we could either go to grant or work-study and that would be all we needed to worry about because we could take all the dollars we needed.

We are not in this situation. We are fighting the matter of dollars.

Now, with that as a basic ground, do you feel there are any giant steps that are necessary to broaden the number of students who will be given some sort of Federal aid, some combination of grant, work-study and loan, or can we just do this incrementally with substantially the type of program we had before?

Mr. **Purdy.** Let me answer for myself in saying that I think substantiated requests of the institutions would say that we need increasing amounts.

I guess I am personally not committed to giant steps. I think we should get increasing amounts and use them wisely, and build each year's program on the basis of the experience for the previous year and take care of increasing numbers as they appear.

Mr. **Dellenback.** You would rather stay substantially with the program that has existed in the past, in these programs, and made—even though it be a small incremental step, with the increased number of dollars, than to try to restructure in any major way even though it could mean a very significant increase in the number of students who would be given some type of aid?

If you had to make a simplistic choice between those two, you would choose the first rather than the latter?

Mr. **Purdy.** Yes; I personally would for this reason: In the new structuring, because of the limitations, we can talk all we want to about how many students are out there. We are not going to get them in a giant step.

Mr. **Dellenback.** We are facing that first set of bells and I recognize time is short. I wish there were more time to go on. We appreciate it very much.

Mr. **Purdy.** And I realize with the shortage of money you have had requests for aids to institutions and this is a real problem, and so we are aware of the realism in the whole situation.

Mrs. **Green.** Congressman Erlenborn?

Mr. **Erlenborn.** I have no questions.

Mrs. **Green.** Congressman Quie?

Mr. **Quie.** Yes. Would you favor dropping the subsidy on the GSLP?

Mr. **Purdy.** Our statement would indicate that we would favor the continuation of the subsidy where there was financial need.

Mr. **Quie.** What is financial need, presently, family income under $15,000?

Mr. **Purdy.** No, calculated need varies according to the family situation and their ability to meet the educational costs at the institution. And I think this would have a bearing back on one of my answers earlier where you said it would go to $17,500.

If the person got the maximum NDEA, it would be rare that he would need the maximum guaranteed loan, and certainly I want to agree with our friends earlier. I don't think it is wise to plan any program in which the institutions would take over the lion's share of student credit. We are handling about 25 or 30 percent of it now and I don't think we are ready to take on the other 70 percent. If we can work this out to keep the private lender in the picture with a reasonable program, by all means we should do it.

Mrs. **Green.** Would you yield there?

Does that mean that you are not in favor of the secondary market for NDEA?

Mr. **Purdy.** We are in favor of revolving funds for an NDEA.

Mrs. **Green.** But not bringing it under a secondary market?

Mr. **Purdy.** Not if we can keep it as a revolving fund.

Mrs. **Green.** Thank you.

Mr. **Quie.** Well, that was going to be my next question.

You know, even if the NDSL was kept at about the $250 million level and the secondary market would permit the expansion of an institutions subsidized loan program, you still wouldn't want the secondary——

Mr. **Purdy.** If there was way for the private lender to handle it. I don't think we want to become the only source of student loans.

Mr. **Quie.** What about the student who has no experience with a bank and no way of really getting experience with a bank?

Mr. **Purdy.** We are taking care of most of those in the NDSL program now and I think this is good and I think we can teach them a lot about the economics of the plan, et cetera.

Mr. **Quie.** In other words, the $250 million level of loans is enough?

Mr. **Purdy.** Not quite. But I don't think we need it to go up to a billion dollars through our institutions. We are not set up to be primarily a lending institution. We want to stay an educational institution, but there are certain problems we need to help solve and be a part of but we have got lots of friends in the private lending business and if we can get these things worked out so that the paperwork doesn't choke the private lender, God bless him. We want him.

Mr. Quie. What about the EOG? What level would go in?

Mr. Purdy. Somewhat of an increasing level because of inflation, because indeed we are getting the word out that education beyond the high school is possible and we are increasing the number each year coming from the lower income families and we need to increase that, but as I say, I don't think we are going to do it on a giant step basis. But we do need increasing amounts.

Mr. Quie. It sounds like everything is in pretty good shape right now?

Mr. Purdy. With funding—if we got the appropriations you authorized.

Mr. Quie. Talking about EOG's authorizations, rather than appropriations?

Mr. Purdy. We have never reached the authorization yet, have we?

Mr. Quie. You are saying you need just a little bit more of EOG. I thought you were talking about the appropriation. I——

Mr. Purdy. We need funding more nearly in line with authorization. Your decisions on authorizations have proven to be amazingly accurate in terms of the needs of the institutions.

Mr. Quie. Then when you talk about the balance that we should permit you to determine, it is not the balance that exists now. My suspicion that the big increase is going to go to grants is probably true.

Mr. Purdy. As I say, I would be willing to accept some limitations in it so I wouldn't give it all away. I think that there is indeed a lack of expertise in some institutions and you have heard that testified to here this morning, that in certain cases there has been maybe an unwise administration of the program. I think that in some way there needs to be some additional supervisory help provided.

Mr. Quie. You also indicate that the renewals of EOG's ought to be honored first, another indication that once we set the balance of high grants and low loans, you want that balance to continue.

Mrs. Edwards. I was just going to say that doesn't necessarily follow, I don't believe. I know in my own instance we give the grant at the beginning for the low income student until we have an opportunity to acquaint him with what a loan is and how it should be used and how it is used wisely. As our students progress up the ladder of classification, we increase the amount of loan and we may not keep the EOG at the same level, and if I am telling something that is going to get me in bad with NDSL, I am sorry, but we feel we owe it to the student to teach him, to help him. When we say self-help we mean work and loan and our package almost always includes the three.

Mr. Quie. I would agree to what you are doing but it seems contradictory to the recommendation of Mr. Purdy.

Mr. Purdy. Maybe I misunderstood.

Mr. Quie. The way I understand, you start it out at a certain grant level and let's make sure you renew that every year before you——

Mr. Purdy. No, let me apologize if I have given you the wrong impression. In my own institution, and I would say generally all institutions, the need of the student is reevaluated each year. Is there anyone who does not reevaluate every year on EOG? This is an annual reevaluation.

Now, once we bring a student in and say the opportunity for you to go to school is here, now, if you make the grade and your are a satisfactory student, then we are not going to pull the rug out from under you. Although each year you will come up for a reevaluation and a repackaging. There is nothing guaranteed that if he gets *x* number of dollars in EOG this year that it will be *x* number next year, or *x*-plus $100.

There is a reevaluation each year. But the total package, the total for the institutions that are growing, will need to be up in order to take care of an increased number of students, but not a giant step.

Mr. Quie. Thank you.

Mr. Purdy. Now, is that——

Mr. Quie. That explains it, especially with the help of your friend there.

Mr. Purdy. Thank you.

Mr. Quie. I would like to see the results of the evaluation. If they turn out to be that way it is all well and good.

Mrs. Edwards. I am doing a study.

Mrs. Green. Congressman Steiger?

Mr. Steiger. One brief question, Madam Chairman.

Is there any problem from your standpoint with the suggestion made by the National Council of Higher Education Loan Programs regarding the definition of eligible institutions? In other words, making a statewide agency eligible?

Mr. Purdy. I guess I——

Mr. Curtis. I read the testimony and I don't see any problem from the institutional standpoint.

Mr. Steiger. I see Wally Douma—I don't know whether, Wally, this poses a problem?

Mr. Douma. I don't think so.

Mr. Steiger. Does it pose a problem with the institutions in Wisconsin if the Wisconsin Higher Education Aids Board is made eligible?

Mr. Douma. I don't see any problem.

Mr. Steiger. That is all. Thank you.

Mrs. Green. We thank you very, very much. We are just going to have to adjourn because we have the draft bill and will have teller votes all afternoon. I hope I can some more of you sometime during the day and my sincere thanks to the people both in the guaranteed student loan program and to the student aid officers.

We will reconvene at 10 a.m. on April 6.

(Whereupon, at 12:20 p.m., the hearing was adjourned, to reconvene at 10 a.m., Tuesday, April 6, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

TUESDAY, APRIL 6, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The special subcommittee met at 10:10 a.m., pursuant to notice, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Daniels, Brademas, Quie, Dellenback, Steiger, and Ruth.

Staff members present: Harry Hogan, counsel; William Gaul, majority associate general counsel; and Robert Andringa, minority legislative associate.

Mrs. Green. The subcommittee will come to order for further consideration of higher education legislation under the jurisdiction of this committee. We welcome today a witness who appeared before this subcommittee last year on the same subject, Mr. O'Leary, executive vice president of U.S. Trust Co. of New York. Last year Mr. O'Leary ably presented the petition of the American Bankers Association in supporting a secondary market.

I want to say this and take this opportunity to commend the commercial banks of the country for their very active support of the guaranteed loan program. To a great extent the success of the program is attributable to their wholehearted cooperation.

The figures would indicate that since 1966 almost three and a half million students have received loans. The volume of loans has reached a total in excess of $3 billion.

Of all the lending institutions certainly the commercial banks have been the ones who have been outstanding in their cooperation and support.

The latest figures that we have indicate that 71 percent of the borrowers come from families with incomes of less than $9,000, a statistic which indicates that the banks have provided support to those of limited resources in the best tradition of community service.

I also want to take this occasion publically to thank the American Bankers Association for the survey put to the association conducted last July to determine whether or not there was a crisis in the guaranteed loan program.

That survey freely offered by the association was of great help to this subcommittee as it considered the legislation. So, Mr. O'Leary, we welcome you again to the subcommittee. We are grateful that you have taken the time to come, and would you come to the table and present any colleagues of yours whom you wish to have with you?

STATEMENT OF JAMES J. O'LEARY, EXECUTIVE VICE PRESIDENT, U.S. TRUST CO., NEW YORK, ON BEHALF OF THE AMERICAN BANKERS ASSOCIATION, ACCOMPANIED BY LOUIS J. HILL, PRESIDENT OF THE PEOPLES BANK OF TALLAHASSEE, FLA.; AND HARRY J. DROLET, SENIOR VICE PRESIDENT, CONNECTICUT BANK AND TRUST COMPANY OF HARTFORD, CONN.

Mr. O'Leary. May I say at the outset, Madam Chairman, that I have appeared before a number of congressional committees, and I have never received such a fine welcome, and we appreciate the welcome very much. I think what you have said catches the spirit in which we are here today and in which the commercial bankers have participated in this program.

I think you are 100 percent right in your appraisal of the situation. We don't come here today with any ax to grind. We come here in an effort to try to be helpful to you.

Mrs. Green. Thank you, Mr. O'Leary.

Mr. O'Leary. May I also say I am pleased to see you this morning, I understand you were ill, and I was afraid I was not going to see you.

Madam Chairman, and members of the subcommittee, we are glad to have the opportunity once again to discuss with you this highly important matter of student loans for postsecondary education.

I am James J. O'Leary, vice chairman and economist of the U.S. Trust Co. of New York, here on behalf of the American Bankers Association.

I have been promoted since the last time I was here.

Mrs. Green. Congratulations.

Mr. O'Leary. My colleagues represent banks that have actively participated in the guaranteed student loan program. They are Mr. Louis J. Hill, president of the Peoples Bank of Tallahassee, Fla., he has 8 percent of his loans in student loans, which is very high.

And Mr. Harry J. Drolet, senior vice president, Connecticut Bank and Trust Co. of Hartford, and I can't give you the exact percentage that Mr. Drolet's bank has, but his bank has been very active in its participation. I hope to be helpful on questions which might arise on the operations of a secondary market for insured student loans.

I think I will eliminate the first two paragraphs, because you have so nicely said what we were going to say ourselves. We will move to the top of page 2 and resume there.

To meet the growing borrowing requirements of the middle income family student, we clearly need changes in many features of the existing program and the establishment of appropriate financial machinery to cope with problems induced by the lack of liquidity of the loans involved.

This brings us to the various pieces of legislation pending before the subcommittee which deal with student loans. As we understand it, there are seven such bills, but because many of their provisions are identical or similar, our comments today will be confined to the student loan features of Chairman Perkins' bill, H.R. 32, and the administration's bill, H.R. 5191, introduced by Mr. Quie and others.

The major provisions of the Perkins bill, H.R. 32, affecting the present student loan program include the following:

An increase in the total amount of loans insured from $1.6 billion in 1972 to $2.4 billion in 1976; extension for 2 years of the special interest allowance provision which expires on June 30, 1971; an increase in the annual loan ceiling above the present $1500 in cases involving higher costs of education and in the overall borrowing limit from $7,500 to $10,000; and establishment of loan warehousing procedures.

The last item requires discussion in greater detail since it is of primary concern to us. Warehouse loans would be made only to eligible lenders under terms and conditions set by the Commissioner of Education.

However, the maximum amount advanced would be 80 percent of the unpaid balance of eligible loans. Repayment would be required within not more than 5 years. In addition, all warehouse advances would be conditioned upon reinvestment in new student loans.

Funds for warehousing would be obtained from the sale of "education warehouse certificates" and by the establishment within the Treasury of an "education warehouse revolving fund" financed through the sale of obligations by the Commissioner to the Secretary of the Treasury at an interest rate matching market yields on Treasury issues maturing in 5 years. In turn the revolving fund would be financed through the issuance of education bonds by the Treasury, in an amount not exceeding $250 million in 1972 and $500 million in each of the 3 years thereafter.

Commenting briefly on these proposed changes, we endorse the extension of the present special interest rate allowance provisions to 1973 and other changes required for the present program to continue beyond the June 30, 1971, expiration date. We support these extensions to enable further study of the entire student loan program.

However, our association regards the so-called secondary market provisions embodied in H.R. 32, which provides for only warehousing facilities, to be inadequate. As indicated in our testimony last year, we feel that the basic purpose of student loan warehousing is to accommodate holders of State and privately insured or guaranteed loans.

This would provide liquidity for loans which lack the uniformity of terms and conditions needed to be acceptable in a national market.

In view of the requirement to make repayment eventually, a warehousing loan can be considered by lenders as only a temporary source of liquidity. The most critical need is for a true secondary market such as the one provided by FNMA. In the home mortgage field, such a market combined with warehousing arrangements has provided the fullest degree of flexibility.

Turning now then to the administration bill, H.R. 5191, the major provisions directly affecting insured student loans include:

The repeal of the special interest adjustment allowance and all other Government interest payments, except on loans to needy students;

Replacement of the regular 7 percent interest rate limitation on maximum rate lenders may charge, to be determined by the Secretary of HEW in consultation with the Secretary of the Treasury and NSLA. This rate could not be less than the average rate of interest on all interest bearing obligations of the United States at the beginning of the fiscal year;

An increase in the total of all loans permitted, from $1,500 to $2,500 per year, over a maximum 7 years of academic study, and extension of the longest repayment period from 10 years to 20 years;

Repayment to begin 9 months after completion or stoppage of academic study plus military or other eligible Government service, with interest to accrue during in-school, Government service, and 9-month grace periods to be added to principal and covered by insurance;

In addition to the required deferment of interest and principal payments during in-school and other grace periods, another voluntary 5 year deferment of all payments could be arranged by agreement between borrower and lender;

Lenders would be required to prepay an insurance premium of one-fourth of 1 percent for in-school and other grace periods. This cost may be passed on to the borrower;

Exemption from truth in lending requirements for all student loans;

Establishment of the national student loan association, as a secondary market facility;

The insured student loan program would encompass three categories of advances:

1. Resource equalization loans up to $400 per year;
2. Cost of education loans up to $1,500 per year provided only by schools, and
3. Nonsubsidized loans.

The first two would be subsidized to the extent of full interest payments by the Government during in-school and grace periods. All interest above 3 percent would also be provided by the Government during the first 10 years of the repayment period, but none thereafter.

Before going on to the establishment of the national student loan association we would like to comment on the changes in loan provisions under H.R. 5191.

We feel that few bankers would participate in resource equalization loans totaling only $400 per year. The paperwork involved would inevitably make such loans prohibitively expensive. Moreover, since many of these loans would be combined with cost of education loans which only schools are permitted to provide, being billed for two sets of loans would be burdensome for the borrower.

However, our primary concern is for the great majority of students from families with incomes falling above the cutoff point for assistance under H.R. 5191, with resort only to nonsubsidized insured loans.

As spelled out in the bill, the maximum annual amounts of borrowing, the total years of study covered, and the maximum longest permissible time for repayment would produce monthly or quarterly payments exceedingly onerous for the borrower. In addition, lenders cannot be expected to completely forgo income during the long periods of deferment required under the bill.

For those reasons, our association cannot support the proposed new loan arrangements.

As we stated last year, the maximum 20-year period of payout is too long in our opinion. Moreover, with an annual loan limit of $2,500 during a 7-year academic period under H.R. 5191, the amount borrowed could reach $17,500, a total which begins to approach a home mortgage in size (as well as in terms to maturity). With in-school and other grace period deferments, many borrowers would be making very substantial payments into middle life.

During this period they would be taking on other obligations, marriage, children, a home. Quite conceivably both husband and wife might be saddled with large amounts of school debt during such time.

(An appendix to this statement provides tables on aggregate amounts of interest payable based on interest accrued and level payments at 7 percent interest, both for maximum loans and repayment periods under H.R. 5191 and for loans in comparison with the present system.)

(The documents referred to follow:)

MAXIMUM AGGREGATE AMOUNT OF INTEREST PAYABLE UNDER H.R. 5191—GUARANTEED STUDENT LOAN PROGRAM

Assuming: (1) Maximum allowable borrowing; (2) Maximum academic period; (3) Maximum repayment period; (4) 7 percent interest rate; (5) Quarterly level payments during repayment period.

A. Without 3-year interest deferment for government service:	
Total borrowed, $2,500 x 7 years	**$17, 500**
Accrued interest, in-school period [1]	**5, 512**
Total amount to be amortized during 20-year post-academic period	**23, 012**
Aggregate amount of level quarterly payments $536.67 x 20 years x 4 quarters	**42, 934**
Less: Total originally borrowed	**17, 500**
Aggregate amount of interest payable	**25, 434**
B. With 3-year interest deferment for government service:	
Total borrowed, $2,500 x 7 years	**17, 500**
Accrued interest, in-school and government service periods [2]	**9, 188**
Total amount to be amortized during 20-year repayment period	**26, 688**
Aggregate amount of level quarterly payments $662.38 x 20 years x 4 quarters	**49, 790**
less: Total originally borrowed	**17, 500**
Aggregate amount of interest payable	**32, 290**

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[1] Interest accruing at 7 percent during the in-school period *without* compounding is equivalent to about 6 percent quarterly.

[2] The accrual of interest during 3 years of government service in addition to the in-school deferment *without* compounding is equivalent to about 5.6 percent compounded quarterly.

AGGREGATE AMOUNT OF INTEREST PAYABLE BY THE STUDENT UNDER H.R. 5191 AND UNDER PRESENT STUDENT LOAN PROGRAM

Assuming: For comparability, maximum allowable amount of borrowing and maximum repayment period under present program; borrowings, $1,500 per year for 5 years; repayment period, 10 years; 7 percent interest rate throughout.

A. Under present program: Interest during in-school and 3-year government service periods paid by government	
Total borrowed, $1,500 x 5 years	**$7, 500**
Total amount to be amortized during 10-year repayment period	**7, 500**
Aggregate amount of level quarterly payments, $262.20 x 10 years x 4 quarters	**10, 492**
Less: Total originally borrowed	**7, 500**
Aggregate amount of interest payable	**2, 992**
Interest as percent of total borrowed	**39. 9**

B. Under H.R. 5191: Interest during in-school and 3-year government service periods deferred and paid by borrower

Total borrowed, $1,500 x 5 years	7,500
Accrued interest during deferment periods	1,838
Total amount to be amortized during 10-year repayment period	9,338
Aggregate amount of level quarterly payments, $326.55 x 10 years x 4 quarters	13,062
Less: Total originally borrowed	7,500
Aggregate amount of interest payable	5,562
Interest as percent of total borrowed	74.2

Mr. O'LEARY. The maximum 7-year in-school period, plus a 3-year term of military service, plus the 9-month grace period, all mandatory under the bill before repayment begins, would mean that interest would be deferred for periods up to more than 10 years.

We cannot support a provision which would force lenders to carry loans for that possible length of time before payments of any sort would be forthcoming. To make the unsubsidized loans practicable, some arrangement for meeting the deferment problem will have to be devised.

Obviously, we strongly oppose the additional 5 years of deferment by mutual agreement between borrower and lender recommended in H.R. 5191.

We also wonder why the bill exempts lenders from the truth in lending requirements. We find no reasonable justification for this, particularly in view of the lack of financial sophistication on the part of the most prospective borrowers and their families.

Turning to the matter of a secondary market for student loans, the American Bankers Association certainly continues to endorse and indeed to urge the establishment of a viable facility such as the National Student Loan Association (NSLA) as originally conceived in last year's bill. Although its basic features have not been significantly altered in the present bill we have some concern over how these provisions would be carried out.

In summary, NSLA would be authorized to make advances on loans held as security (warehousing), and to buy, service, sell, and deal in loans insured under the Higher Education Act of 1965 (secondary market operations). To provide for financing, NSLA would issue common stock but would rely mainly on its ability to borrow in the capital market, based on a full Government guarantee of its debt service obligations.

Accordingly, NSLA notes or debentures should quickly resemble other Federal agency issues in yield, marketability, pledging for public deposits, eligibility for discounting and so on. Such issues can be offered at lower rates of interest than private obligations and only fractions of percentage point higher than those of the U.S. Treasury issues, the floor for all market rates.

It has been said that interest rates on future student loans may be tied to NSLA borrowing costs. In the current market environment for Treasury and agency issues, if NSLA sells intermediate term obligations, say up to 5 years maturity, the rates required would be substantially lower than on long-term issues.

This is because the yield curve on Government issues slopes from a relatively low point in short maturities up to a higher point in long

Yet student loans are clearly long-term obligations resembling mortgages.

Hence, they should command long-term rates and also include appropriate servicing costs.

Other matters of considerable concern to us, pertain to the position and treatment of academic institutions in NSLA operations. It is apparently intended by those in charge of the student loan program that schools be encouraged to make loans to the greatest extent possible, perhaps including unsubsidized loans. They may also be given immediate priority in claims on NSLA funds.

For example, higher education institutions, including proprietary schools, would be permitted to sell the loans they originate directly to the Commissioner of Education while awaiting the inception of NSLA operations. In turn, the commissioner would be entitled to resell such loans to NSLA as soon as it begins to function. Moreover, all of these sales and all subsequent school sales to NSLA would be priced at par.

In contrast, banks and other nonschool lenders would be subject to full market risk on their student loan portfolios. That is, NSLA would buy their loans priced on the basis of going market rates, or at its discretion, at even lower prices to discourage lender offerings.

These possibilities raise serious problems. First, if colleges are encouraged to make loans and are permitted to unload them to NSLA at par, the schools become rather thinly disguised conduits to NSLA funds, in effect putting NSLA virtually in the position of direct lender. Second, expanded school lending and immediate unloading of the loans would probably glut NSLA loan holding capacity. As a result, NSLA's ability to absorb nonschool loans would be greatly curtailed.

What we as bankers are hoping for is a NSLA whose warehousing activities would be confined mostly to accomodating lenders holding State and privately insured or guaranteed student loans, and one whose secondary market purchases and sales practices would treat all lenders alike.

This is the FNMA approach.

To sum up, Madam Chairman, under the legislation pending before the subcommittee, the American Bankers Association is concerned with two major aspects of the insured student loan program.

First, we want very much to continue to participate beyond next June 30, thus until practicable loan arrangements can be devised for nonsubsidized insured loans, we favor an extension of the present program such as contemplated under Chairman Perkins' bill, H.R. 32. Moreover, we would hope that once workable solutions can be found for student loan arrangements, their terms and conditions would remain constant for at least a reasonable length of time.

Second, we urge the prompt establishment of the National Student Loan Association as a truly viable and equitable secondary market facility. In fact the need for such a market is undiminished, but with appropriate safeguards for the equitable treatment of all lenders. In its operations, we feel that warehousing should generally be confined to providing liquidity for State and privately insured or guaranteed student loans due to variability in their terms and conditions.

Finally the American Bankers Association remains as dedicated as ever to the success of a privately financed insured student loan program. To this end the association hopes that circumstances will permit the banking industry's participation in the program to rise above the 81 percent of the $3.1 billion in total student loans originated to date. Such a hope is much more likely to be achieved if practicable loan instruments are provided and if an equitably administered secondary market facility is made available to provide liquidity when needed, for all private lenders.

(The document referred to follows:)

STATEMENT BY JAMES J. O'LEARY, EXECUTIVE VICE PRESIDENT, U.S. TRUST COMPANY, NEW YORK, ACCOMPANIED BY LOUIS J. HILL AND HARRY J. DROLET, REPRESENTING THE BANKERS ASSOCIATION

Madam Chairman and members of the Subcommittee, we are glad to have the opportunity once again to discuss with you this highly important matter of student loans for post-secondary education. I am James J. O'Leary, Executive Vice President and Economist of the United States Trust Company of New York, here on behalf of The American Bankers Association. My colleagues represent banks that have actively participated in the guaranteed student loan program. They are Mr. Louis J. Hill, President of the Peoples Bank of Tallahassee, Florida, and Mr. Harry J. Drolet, Senior Vice President, Connecticut Bank and Trust Company of Hartford.

I appear again before you today, as an officer in a bank which specializes chiefly in trust activities. I hope to be helpful on questions which might arise on the operations of a secondary market for insured student loans.

As you and the members of the Subcommittee probably know, we represent an industry with a proven record of involvement in student financial problems and in the Federally-insured Student Loan Program or its predecessor State and private programs. That involvement covers far more than the money invested by commercial banks in student loans. It includes also a very large input of time and effort by banking industry leaders and individual bank officers to instill confidence in the practicality of the Federal program, to counsel would-be borrowers, and to adapt to complicated governmental rules, regulations and procedures.

We firmly believe this overall involvement of our industry in the Student Loan Program is the source of great satisfaction to those participating. And, I may add it is based primarily on public interest and community service. We would like to continue to participate.

Without the existing program, a countless number of deserving young people would have been deprived of the enormous advantage of post-secondary education. But for the establishment of State guarantee programs and the Federal Higher Education Act of 1965, many qualified high school graduates would have found college doors barred. The loss to them would have represented an even greater loss to the nation at large, resulting from the waste and misapplication of human talents and resources. More damaging yet would have been the bitterness and rancor remaining as a residue of frustrated hopes and expectations.

Thus, in helping to provide opportunities for a college education where none might have existed, we feel that our efforts have been very much worthwhile. During the years since the Federal program became effective in 1966, the number of students provided with loans has grown, by February 1971, to more than 3.4 million. In that period of about five years, the aggregate volume of loans made has reached $3.1 billion. We are pleased, of course, to note that commercial banks have provided over 81 percent of the total. But, we are also aware that there is far more satisfaction to be derived from the extent of commercial bank dedication to a worthwhile program and the sense of participation in it, than from the number of dollars involved.

Undoubtedly, the need for school loans will continue to grow in the 1970's. Our chief concern is for the large number of potential students from middle income families, who in their ability to pay, rank between the group given direct support and subsidized loans on the one side, and the group requiring little or no assistance of any kind, on the other.

To meet the growing borrowing requirements of the middle-income-family student, we clearly need changes in many features of the existing program and the establishment of appropriate financial machinery to cope with problems induced by the lack of liquidity of the loans involved. We need changes and innovation not only to help students, but also to encourage present lenders to remain in the program and to expand their activities, as well as to urge others to participate.

This brings us to the various pieces of legislation pending before this Subcommittee which deal with student loans. As we understand it, there are seven such bills, but because many of their provisions are identical or similar, our comments today will be confined to the student loan features of Chairman Perkins' bill, H.R. 32, and the Administration's bill, H.R. 5191, introduced by Mr. Quie and others.

The Perkins bill

The major provisions of the Perkins bill, H.R. 32, affecting the present student loan program include the following:

An increase in the total amount of loans insured from $1.6 billion in 1972 to $2.4 billion in 1976; extension for two years of the special interest allowance provision which expires on June 30, 1971; an increase in the annual loan ceiling above the present $1,500 in cases involving higher costs of education and in the overall borrowing limit from $7,500 to $10,000; extension of the NDEA program and provision for increases in appropriations for low interest direct loans from $525 million in 1973 to $675 million in 1975 and 1976, and more later if needed; an increase in the NDEA annual loan limit from $1,000 to $1,500 and a rise in the total amount which may be borrowed from $5,000 to $6,000; provision for cost allowances amounting to 1 percent of loans made by academic institutions under the insured student loan program; and establishment of loan warehousing procedures.

The last item requires discussion in greater detail since it is of primary concern to us. Warehouse loans would be made only to eligible lenders under terms and conditions set by the Commissioner of Education. However, the maximum amount advanced would be 80 percent of the unpaid balance of eligible loans. Repayment would be required within not more than five years. In addition, all warehouse advances would be conditioned upon reinvestment in new student loans.

Funds for warehousing would be obtained by the Commissioner of Education from the sale of "education warehouse certificates" and by the establishment within the Treasury of an "education warehouse revolving fund." This fund would be financed through the sale of obligations by the Commissioner to the Secretary of the Treasury at an interest rate matching market yields on Treasury issues maturing in five years. The Secretary of the Treasury would be empowered to borrow through the issuance of "education bonds" to make the money for the revolving fund available. The maximum amount of education bonds to be issued could not exceed $250 million in 1972 and $500 million in each of three years thereafter.

Commenting briefly on these proposed changes, we endorse the extension of the present special interest rate allowance provisions to 1973 and other required changes to permit the present program to continue beyond the June 30, 1971, expiration date. We support these extensions to enable further study of the entire student loan program, in particular, the loan instrument in terms of maximum loan amounts and years of study covered, and other arrangements, as well as the question of family income cut-off points for various types of subsidies.

However, our Association regards the so-called secondary market provisions embodied in H.R. 32, which provides only for warehousing facilities, to be inadequate. As indicated in our testimony last year, we feel that the basic purpose of student loan warehousing is to accommodate holders of State and privately insured or guaranteed loans. This would provide liquidity for loans which lack the uniformity of terms and conditions needed to be acceptable in a national market.

In view of the requirement to make repayment eventually, a warehousing loan can be considered by lenders as only a temporary source of liquidity. The most critical need is for a true secondary market such as the one provided by FNMA. Such a market combined with warehousing arrangements would provide the fullest degree of flexibility. In this connection I would like to quote from the statement made last August before the Senate Subcommittee on Education of the Labor and Public Welfare Committee by Under Secretary of the Treasury Charls E. Walker:

"I want to stress this point. Warehousing will not solve the long-term liquidity problems created by a sizeable student loan portfolio. The lender

> must at some point repay the advance. The flexibility to adjust to changing market conditions would not be provided by warehousing alone."

We also believe that the warehousing procedure under H.R. 32 would be needlessly expensive for the government. All of the advances from the Treasury to finance the revolving fund would be a budget expense.

The Administration bill

Turning now to the Administration bill, H.R. 5191, introduced by Mr. Quie last month, we find that many aspects of the student loan provisions are the same as those proposed in 1970. Similarly, Part D, Title IV of the pending bill again proposes to establish a National Student Loan Association (NSLA) to operate as a secondary market and warehousing facility.

The major provisions of H.R. 5191 directly affecting insured student loans include:

The repeal of the special interest adjustment allowance and all other government interest payments, except on loans to needy students;

Replacement of the regular 7 percent interest rate limitation by a maximum rate lenders may charge, to be determined by the Secretary of HEW in consultation with the Secretary of the Treasury and NSLA. This rate could not be less than the average rate of interest on all interest-bearing obligations of the United States at the beginning of the fiscal year;

An increase in the total of all loans permitted, from $1,500 to $2,500 per year, over a maximum 7 years of academic study;

Extension of the longest repayment period from 10 years to 20 years;

Repayment to begin 9 months after completion or stoppage of academic study plus military or other eligible government service;

Interest to accrue during in-school, government service, and the 9-month grace period to be added to principal and covered by insurance;

In addition to the required deferment of interest and principal payments during in-school and other grace periods, another voluntary 5-year deferment of all payments could be arranged by agreement between borrower and lender;

Lenders would be required to prepay an insurance premium of ¼ of 1 percent for in-school and other grace periods. This cost may be passed on to the borrower;

Exemption from Truth-in-Lending requirements for all student loans.

Types of loans under H.R. 5191

The insured student loan program would encompass three categories of advances: (1) Resource Equalization Loans, (2) Cost of Education Loans, and (3) Nonsubsidized Loans.

The first two would be subsidized to the extent of full interest payment by the government during in-school and grace periods. All interest above 3 percent would also be provided by the government during the first 10 years of the repayment period, but none thereafter.

The Resource Equalization Loan limit is expected to be set at $400 per year. These loans would be available only to needy students to supplement grant/work-study assistance. In addition to these loans, Cost of Education Loans up to $1,500 per year would be available to needy students depending on the costs at a particular school. It is expected that the limitation of eligibility for these two types of loans would be based on family income (said to be not more than $10,000 except where the number of dependents reduces the family contribution below what could be afforded at that income level or where more than one dependent is qualified for post-secondary education). Only the academic institution involved would be eligible to make Cost of Education Loans. All recognized lenders would be eligible to paritcipate in making Resource Equalization Loans. Nonsubsidized loans would not require a means test. Accordingly, up to the limit of borrowing, all students would be eligible for such loans.

Before going on to the establishment of the National Student Loans Association we would like to comment on the changes in loan provisions under H.R. 5191.

Comments on Loan Provisions of H.R. 5191

We feel that few bankers would participate in Resource Equalization totaling only $400 per year. The paper work involved would inevitably make such loans prohibitively expensive. Moreover, since many of these loans would be combined with Cost of Education Loans which only schools are permitted to provide, being billed for two sets of loans would be burdensome for the borrower.

However, our primary concern is for the great majority of students from families with incomes falling above the cut-off point for assistance under H.R. 5191, with resort only to nonsubsidized insured loans. As spelled out in the bill, the maximum annual amounts of borrowing, the total years of study covered and the longest permissible time for repayment would produce monthly or quarterly payments exceedingly onerous for the borrower. In addition, lenders cannot be expected to completely forego income during the extended periods of deferment under the bill. For those reasons, our Association cannot support the proposed new loan arrangements.

As we stated last year, the maximum 20-year payout period is too long in our opinion. Moreover, with an annual loan limit of $2,500 during a 7-year academic period under H.R. 5191, the amount borrowed could reach $17,500, a total which begins to approach a home mortgage in size (as well as in term to maturity). With in-school and other grace period deferments, many borrowers would be making very substantial payments into middle life. During this period they would be taking on other obligations: mariage, children, a home. Quite conceivably, both husband and wife might be saddled with large amounts of school debt during such time. Thus, the total amount payable over such a long period at relatively high rates of interest would certainly prove burdensome. Another argument against too large an overall loan maximum is that even in ordinary times, to say nothing about tight money periods, loanable funds are not limitless and it may be better to spread the available amount among more rather than fewer students.

(An appendix to this statement provides tables on aggregate amounts of interest payable based on interest accrued and level payments at 7 percent interest, both for maximum loans and repayment periods under H.R. 5191 and for loans in comparison with the present system.)

The maximum 7-year in-school period, plus a 3-year term of military service, plus the 9-month grace period, all mandatory under the bill before repayment begins, would mean that interest would be deferred for periods up to more than 10 years. We cannot support a provision which would force lenders to carry loans for that possible length of time before payments of any sort would be forthcoming. To make the unsubsidized loans practicable, some arrangement for meeting the deferment problem will have to be devised.

Obviously, we strongly oppose the additional 5 years of deferment by mutual agreement between borrower and lender recommended in H.R. 5191, not only because it would mean carrying debt without income for so long a time but also because it would add very significantly to the burden of debt. For example, 5 additional years of deferment at 7 percent simple interest (noncompounded) would add 35 percent to a debt already increased by in-school deferment and also perhaps by government service plus the extra 9 months of required grace period, before repayment begins.

We also wonder why the bill exempts lenders from Truth-in-Lending requirements. We find no reasonable justification for this, particularly in view of the lack of financial sophistication on the part of most prospective borrowers and their families.

National Student Loan Association

Turning to the matter of a secondary market for student loans, The American Bankers Association certainly continues to endorse and, indeed, urge the establishment of a viable facility such as the National Student Loan Association (NSLA), as originally conceived in last year's bill. Although its basic features have not been significantly altered in the present bill, we have some concern over how these provisions would be carried out.

In summary, NSLA would be authorized to make advances on loans held as security (warehousing); and to buy, service, sell and deal in loans insured under the Higher Education Act of 1965 (secondary market operations). To provide for financing, NSLA would issue common stock but would rely mainly on its ability to borrow in the capital market, based on a full government guarantee of its debt service obligations.

Accordingly, NSLA notes or debentures should quickly resemble other Federal agency issues in yield, marketability, pledging for public deposits, eligibility for discounting and so on. Such issues can be offered at lower rates of interest than private obligations and only fractions of a percentage point higher than those on U.S. Treasury issues, the floor for all market rates.

It has been said that interest rates on future student loans may be tied to NSLA borrowing costs. In the current market environment for Treasury and agency issues, if NSLA sells intermediate-term obligations, say up to 5 years maturity, the rates required would be substantially lower than on long-term issues. Yet, student loans are clearly long-term obligations resembling mortgages. Hence, they should command long-term rates and also include appropriate servicing costs. In its zeal to help students, NSLA may argue for more liberal terms based on cost of money, rather than on going long-term rates such as on mortgages. Moreover, default and delinquency rates which appear to be rising and would reflect some loss of interest, should also be taken into account.

Other matters of considerable concern to us, pertain to the position and treatment of academic institutions in NSLA operations. It is apparently intended by those in charge of the student loan program that schools be encouraged to make loans to the greatest extent possible, perhaps including unsubsidized loans. They may also be given immediate priority in claims on NSLA funds.

For example, higher education institutions, including proprietary schools, would be permitted to sell the loans they originate directly to the Commissioner of Education while awaiting the inception of NSLA operations. In turn, the Commissioner would be entitled to resell such loans to NSLA as soon as it begins to function. Moreover, all of these sales and all subsequent school sales to NSLA would be priced at par.

In contrast, banks and other non-school lenders would be subject to full market risk on their student loans portfolios. That is, NSLA would buy their loans, priced on the basis of going market rates, or at its discretion, at even lower prices to discourage lender offerings.

These possibilities raise serious problems. First, if colleges are encouraged to make loans and are permitted to unload them to NSLA at par, the schools become rather thinly disguised conduits to NSLA funds, in effect putting NSLA virtually in the position of direct lender. Second, expanded school lending and immediate unloading of the loans would probably glut NSLA loan holding capacity. As a result, NSLA's ability to absorb non-school loans would be greatly curtailed. The combination of unequal price treatment and favored access to NSLA funds may well stunt, if not effectively kill, a truly viable secondary market.

What we as bankers are hoping for is a NSLA whose warehousing activities would be confined mostly to accommodating lenders holding State and privately insured or guaranteed student loans, and one whose secondary market purchase and sales practices would treat all lenders alike. This is the FNMA approach.

In the present environment of interest rate declines, private lenders need encouragement to make student loans freely in the expectation that they will not be compleely frozen into all of the loans until final amortization. They cannot be certain of that expectation unless all lenders are treated equitably by the facility designed to deal with the problem of liquidity.

Conclusion

To sum up, Madame Chairman, under the legislation pending before the Subcommittee, the American Bankers Association is concerned with two major aspects of the insured student loan program:

First, we want very much to continue to participate beyond next June 30. Thus, until practicable loan arrangements can be devised for nonsubsidized insured loans, we favor an extension of the present program such as contemplated under Chairman Perkins' bill, H.R. 32. Moreover, we would hope that once workable solutions can be found for student loan arrangements, their terms and conditions would remain constant for at least a reasonable length of time.

Second, we urge the prompt establishment of the National Student Loan Association as a truly viable and equitable secondary market facility. In fact, the need for such a market is undiminished, but with appropriate safeguards for the equitable treatment of all lenders. In its operations, we feel that warehousing should generally be confined to providing liquidity for State and privately insured or guaranteed student loans due to variability in their terms and conditions.

Finally, the American Bankers Association remains as dedicated as ever to the success of a privately financed insured student loan program. To this end the association hopes that circumstances will permit the banking industry's participation in the program to rise above the 81 percent of $3.1 billion in total student loans originated to date. Such a hope is much more likely to be achieved if practicable loan instruments are provided and if an equitably administered secondary market facility is made available to provide liquidity when needed for all private lenders.

Mrs. Green. Thank you very much.

Mr. O'Leary. That completes my statement.

Mrs. Green. Could you tell me approximately how many guaranteed student loans are in the repayment period under the Federal program?

Mr. O'Leary. In the repayment period?

I don't have that information. Such information is not available either to the banking industry or to the Office of Education.

Mr. Drolet. In Connecticut, our State program has 8 percent of theirs in repayment, 8 percent of the outstanding are in repayment.

Mrs. Green. Did your State program precede the Federal program?

Mr. Drolet. Yes, it did.

Mrs. Green. What kind of a default record do you have?

Mr. Drolet. In that 8 percent, we currently have a delinquency ratio of 10 percent, which is about 5 times our normal consumer credit delinquency ratio.

Mrs. Green. What do you consider an unacceptable default rate in other kinds of loans, conditional sales, or FHA, remodeling, et cetera?

Mr. Drolet. Somewhere between 1 and 1.5 percent.

Mrs. Green. And this is 10 percent.

If we adopt the secondary market provisions, which would greatly expand the loans, do you think that kind of a default rate would hold?

Mr. Drolet. I don't think it would be due to the existence of the secondary market. I think it is the change in the terms of the loan program itself that would contribute to delinquency, the increased dollar availability, the deferment period, and things of that nature, I think those would contribute more than the secondary market per se.

Mrs. Green. On page 8 you discuss bringing the NDEA into the secondary market provisions and that it would have first call upon the funds under the National Student Loan Association.

I have heard some estimate of how much this amount might be. Do you want to voice any opinion on that, if we go to, for instance, $2 billion or $2.4 billion under the National Student Loan Association, what part of that, in your opinion, would go to the NDEA?

Mr. O'Leary. I have seen some estimates on this, but they are no more than just estimates that I have seen, and as I recall, they are well up over a billion or so that would go directly to NSLA.

Do any of you have any idea on that?

Larry, do you have anything on that?

Over 50 percent is what our staff people tell us.

Mrs. Green. This is what I have been told. I had been told approximately $1,050 million with the NDEA loans. Do you think the bankers by and large would participate to the extent they have already?

Mr. O'Leary. These two men are actively making student loans, and I think it is better to let them answer that sort of question.

Mr. Hill. With the secondary market, we would come back into the program. That is what we are hoping for, so that we can get back into student loans, and I think loans would be increased.

I think if the bankers got access to it, it would create a competitive situation, and banks would be forced back into it.

Mr. O'Leary. This would assume a secondary market facility to which the banks would have equal access.

Mr. Hill. That is right.

Mr. O'Leary. This is the problem.

Mrs. Green. That was not my question. If the NDEA has first priority and the banks do not have equal access, if the NDEA loans and the cost of education allowance has the first demand on the money, what will be the attitude of the banks?

Mr. Hill. I think if there is any question about the accessability of the money, I think they would be discouraged from participating, even as strongly as they are now, because that question has already been raised.

There was hope for a secondary market, but then it has not materialized. The ones who stayed out of the program proved to have foreseen this in some manner.

Mrs. Green. What would be your attitude toward a provision requiring lending institutions in case of default to go to court and seek a judgment.

Mr. Hill. At whose expense?

Mrs. Green. I think we would have to put in the provision to cover part of that cost by the Government.

Mr. Hill. It would be kind of hard to do, because if the person is in Oregon and our bank is in Florida, which court would we take him to?

Well, I have not really given that much thought. Because of these things, it would have to go into Federal courts, I guess.

Mr. Daniels. Not necessarily.

It could be instituted in the local courts.

Mr. Drolet. Time and distance would make that very difficult.

Mr. Hill. For this amount of money.

Mrs. Green. Do you think we could afford to go on and allow the 10-percent default rate in Connecticut? The New York and Pennsylvania people were here the other day also talking about the rate of default in State programs that preceded the Federal program.

Do you think we can go on and allow this high rate of default?

Mr. Drolet. I am not sure we could predict that the 10-percent rate would continue. Right now the loans that are in the payout period are more often than not loans to students who have dropped out. They have withdrawn for a number of reasons.

Perhaps there might have been motivation, their motive for repayment might not be as great as a student receiving a degree. Those in the payout phase now have not achieved their degrees.

Mrs. Green. Isn't it true that the opposite might also ensue that with our new trend toward open admissions and the very high attrition rate and dropouts among freshmen and sophomores since the waiving of admission standards, isn't it possible that the rate of default might be higher?

Mr. Drolet. Yes.

Mr. O'Leary. I think your question is very well taken, because it does seem to me that—years from now, it may not happen quickly—we are going to have a serious problem on defaults on these loans, and we are going to look back and wonder how we could have let ourselves into such a bad situation.

I think your thinking is correct in terms of trying to provide some means of stiffening up the repayment requirements on these loans. Whether or not to take a student to court, I don't know about that but it does seem to me to be a serious problem.

One other aspect of this which I think might be worth saying is that I am on the board of trustees of Wesleyan University, a private liberal arts college, and for years the college itself has been making student loans outside of the Government insured programs.

Their default experience was so bad, with the college making the loans, that a couple of years ago they decided that it did not make sense, that they really did not have a proper procedure for trying to collect the loans and they then turned the whole thing over to the banks, I think another aspect of this is that to the extent that the colleges and universities get to be lending agencies, great care is going to have to be taken that that step does not in itself create important problems with respect to repayment.

It is awfully hard for a university or a college to be tough about collecting a loan. I would say it would be a lot easier for the defaults to occur if the lending agency were a college or university.

I realize there are other aspects to this, but I think it is important to recognize, that to the extent these loans are made by colleges and universities, there is a risk of default that would arise.

That has certainly been the experience of Wesleyan and their default rate is very, very high on the loans they made themselves. There is a tendency for the students to feel they should have gotten it in a scholarship, and why should they knock themselves out repaying a loan to a college, and this same attitude is a little harder to go by if the loan goes through a financial institution.

Mrs. Green. I think there is that same feeling in Congress. There are some Members who think that all higher education ought to be free, and therefore if the default rate is high, so what, we should have provided it. There are others who would like to see it as a loan program, with the loans to be repaid.

Mr. O'Leary. The interesting thing is to review the experience of the Government home loan insurance program, FHA and VA. There the default experience has been favorable. It has not been greater than the experience on other mortgage loans. I know, because there are records kept on that by, for example, the life insurance companies.

I am sure the FHA and VA keep their own records. But the life insurance companies keep records of delinquency and default on FHA and GI loans relative to their experience on conventionals, and the record has been very good.

But I think that overtime, on the FHA and GI sort of loan—maybe because of the differences in the type of loan and the better ability to protect it—the default experience has been extremely favorable relative to concerns that one might have had. And I would think in the case of these insured students loans the same sort of careful effort must be made to be sure that they are set up on a basis where the default rate is kept low, because if it is high, it seems to me it will lead to a very serious undermining of public support for the program.

Mrs. Green. I talked to Congressman Teague, the chairman of the Veterans Affairs Committee, and it seems to me the administration of the GI program is quite different, and he has told me they get very tough with the GI——

Mr. O'Leary. Yes.

Mrs. Green. I have other questions, but let me yield to Congressman Dellenback.

Mr. Dellenback. Thank you, Madam Chairman.

Gentlemen, we are grateful for your being here. We are hopeful on the basis of what you said, Mr. O'Leary, that perhaps your having been here before helped in that promotion to which you alluded, and we don't know what hat you will be wearing when you come back the next time.

We hope it continues to be beneficial, as indeed it has been.

I am concerned about this default matter; but before I ask a few questions about it, I would like to get your background thinking, gentlemen, on the question of whether or not you think there should be any measure of need before a student can get a subsidized loan.

You are dealing with these young people constantly. Would you have anything to say about this question of need tied to the Government involvement?

Mr. O'Leary. You are thinking now particularly of the two types of loans in the administration's bill here that would provide for Government subsidies should there be a needs test there.

Mr. Dellenback. I am concerned about that, but I am also concerned about the basic question of the middle-income parent and the middle-income student. Should we be saying that all students would be treated alike so far as subsidization or guaranty, whether there is need in their situation, and should there be some way of measuring need, and should the Government move in only this if there is need?

Mr. O'Leary. I will take a crack at that, but I think it can be answered by Mr. Drolet or Mr. Hill.

It seems to me that, for example, on the two subsidized programs, some measure of need is required there. I think it is about the middle-income nonsubsidized loans which we indicated in our statement we have a concern about.

There I think, you have to come to the fact that under almost any circumstances there is some limit on the availability of total funds, of our total resources that can go into providing aid to students in getting educations. The limit should be high, but there is a limit. There is competition for funds from various sources, and you cannot expect the financial resources going into this to be unlimited.

On that basis, it would seem to me that to permit students in middle income or higher to come in and borrow the full amount would represent a measure of inequity. I think there should be some means of trying to see to it that the available funds are channeled to those here that have the greatest need, and they are not used by people who really don't have the need, and parents could afford to pay the full rate.

Therefore, in that sense, I would feel that even on the unsubsidized insured student loans, it would make sense to have some sort of a needs test and not just open this up free of any needs requirements.

Now, my colleagues may feel differently on this, and I would be perfectly happy to have them differ if they feel that way.

Mr. DROLET. Need must relate to time, and I think a student approaching college has a need for funds to permit his enrollment. The needs test to date has been applied in terms of entitlement or nonentitlement, to interest subsidy.

I think the need relates to the availability of the funds, and not to any subsidy during the enrollment years or in the years following enrollment, if I make my point.

To date, we have used needs as a test for entitlement to subsidy, when in fact the need is for the funds themselves, rather than need for a subsidy.

Mr. DELLENBACK. Do I read you then as saying that if we could go into a guaranty situation we would have plugged the great need, whether or not there is an interest subsidy that goes along with the guaranty?

Mr. DROLET. Yes.

Mr. DELLENBACK. Therefore, so far as the Government's involvement is concerned, the lesser importance is whether or not we deal in a subsidy. Of greater importance is whether or not we step in with guaranties to make the dollar available.

Mr. DROLET. It is the guaranty that makes it available.

Mr. DELLENBACK. Mr. Hill, would you add anything to this?

Mr. HILL. I agree that the availability of funds is the main problem, but, again, the easy availability of funds to people who don't need them encourages borrowing in some cases by the younger people, who are not sophisticated and realize that later on in life it is going to bring on a problem, and I don't think that should be encouraged.

Mr. DELLENBACK. How should the Federal Government be moving into this situation then, so far as (1) Interest subsidies, (2) guaranties, and (3) measuring need in applying either?

I read you, Mr. O'Leary, as saying to us that since, wherever you happened to draw the line, whether it is here, or here, or here, that obviously we are going to have limited dollars and we can't go as far as we might otherwise go, and so you would start taking care of the greatest needs first.

Now how high that would go would depend on the availability of the dollars. So you would measure need, and you would say we should first take care of those in need who would not otherwise have the money, and who would not otherwise be able to go to college, and only after we have taken care of all of those should we move on up to the ones who don't have as much need.

Mr. O'LEARY. This is exactly my feeling.

As I look at it, even today when credit is easily available due to the slack in our economy, in spite of that there is still a limit on the total availability of funds, and student loans are competing with home mortgages and credit, and commercial loans, and the various demands for funds, and this will always be the case.

There is always going to be some limitation. What we are saying, just to insert this because I think it is important, is that the greatest thing that would improve the relative availability of these funds would be to have a viable secondary market.

This would give you the assurance that year in and year out you would have real availability, and you would not have the peaks and valleys in particular areas.

But regardless of what the situation is, there will tend to be a shortage of these funds relative to the potential use of them. To me that means that some way, even on the unsubsidized loans, the loans that are going to be insured, but will have no subsidy involved, should be subject to a needs test.

I can see, for example, many families in the $10,000 to $15,000 range who have a son in college and who have a real need for a loan.

But if there is not a needs test, why would you permit in this program somebody who might come from a family with an income of $30,000 who could well have afforded to actually pay the freight fully without going to a bank.

Now if there is an overall shortage relative to demand, it seems to me that regardless of whether you are thinking in terms of subsidized loans or unsubsidized loans, but more particularly a problem in the unsubsidized ones, there is some need to decide which are the more meritorious cases, assuming there is a shortage of funds.

Mr. DELLENBACK. Should that be a decision to be made by the bank, or should it be made by the school? Which is in a better position to determine this need? That is, need as opposed to the availability of funds and so forth.

Mr. DROLET. Last fall when there was a shortage of money as we approached August, many banks superimposed their more strict definition of need in order to answer the availability of money. I think that, again, that would be done institutionally.

Mr. DELLENBACK. Do you have in mind what those figures were in your own institution?

Mr. DROLET. We did not, but banks in our area dropped the adjusted gross income figure of $10,000 to $8,000.

Mr. DELLENBACK. And if they were not really below $8,000 or $10,000——

Mr. DROLET. That was the means of rationing the funds.

Mr. HILL. When we were in this thing with both feet, we brought in a student board to discuss this with them, and at the time they got much tougher than we, as a bank were willing to get, but we had an open-door policy at the time, and we were out of money by the time we got into the tight money period.

But I would like to point out again, I think sometimes, if we had discussed this by talking to students who were in the program and students who have just gotten out of the program, that is, in all its aspects, if they knew what the problem of payback was, would they have borrowed as much when they were in school?

I believe we could get a lot from that if we carried the discussion a little further.

Mr. DELLENBACK. We have other questions, but we will come back to those again.

Mrs. GREEN. Congressman Daniels?

Mr. DANIELS. How did the bank's definition of need differ from that required by the schools, the colleges? You say it was——

Mr. DROLET. We operated in Connecticut under a State foundation, and it was their guideline of $15,000 of adjusted net income. The colleges, I don't believe, would be in position to assess this.

Mr. DANIELS. With regard to the question of defaults, undoubtedly the longer the payback period is extended, you would run into the danger of much larger defaults. Has any consideration been given by the banks to how that may be cut down, where the chances of default would be much less?

Mr. DROLET. Congressman, there are two basic reasons for default. One is an unwillingness to repay, and the other would be an inability to repay. I think as we see the student loan programs, expanded in total number of dollars, it becomes more of a problem in ability to repay rather than willingness.

I think we are seeing now in our default ratios unwillingness on the part of dropouts; but as we go down the road, I see defaults precipitated and caused basically by an inability to repay rather than an unwillingness.

Mr. DANIELS. If any indication of unwillingness to pay is given by students at the time application is made, you would be inclined to deny that loan, wouldn't you?

Mr. DROLET. The person is usually 18 years old. He may be 10 years older by the time he has to make that decision. I don't think there is an indication of unwillingness to pay applicable to students at 18 years of age.

Mr. DANIELS. Would you make any recommendation to this committee on a policy for collecting defaults?

Mr. DROLET. Our State foundation pursues them in the court system if necessary, and I think that is necessary.

Mr. DANIELS. Someone indicated, and I think it was Mr. O'Leary, that colleges are reluctant to institute suits. Perhaps this would interfere with the image that would be created in the student's mind.

Mr. O'LEARY. This is right. You are looking for this student out there as a potential source of giving alumni funds and so forth. You also want to have an alumni body that is favorably disposed to the college, and it is just not in the heart of most educational institutions to be tough in this collection process.

Mr. DANIELS. In view of that statement, who do you feel would be the proper source to apply to for a loan, either a college and university or to a financial institution?

Mr. O'LEARY. My own feeling is that it makes a lot of sense to have the application through a financial institution. I say this, I think, quite objectively and unselfishly, because I don't think the experience of a place like Wesleyan would be much different from any college of that character. It may be that a large State university might have machinery for doing the collecting and so forth, but for a large proportion of our colleges I think I would disagree with Mr. Drolet a little bit.

Today students coming to a place like Wesleyan have to submit rather detailed financial statements. The college knows quite well what their financial position is.

The college may be in a very good position to determine need, because it knows to what extent they are in work programs and so forth, and what their overall financial situation is, to the extent that anyone can know it.

So that I think that college, at least Wesleyan, would pretty well determine financial need, but where it would fall down would be on the whole process of being tough enough to do the collections. There is where they would fall down, because they just would not be willing to follow through with the procedures that had to be followed through; whereas at a bank, it could be done more effectively.

Mr. DANIELS. Has any thought been given to the discounting of the paper of the financial institutions with some private organization which is not directly connected with the college or directly with the bank?

Mr. HILL. Yes. We did find a secondary market in a bank in Chicago, and we did borrow money when we first got into the program. For example, the warehousing—we did not find a secondary market. We found a warehousing situation.

About last year or earlier, well, when money really got tight, then they called for us to bring their funds back, and that was when we needed them the most, and I think that is, as we pointed out here, the hazard in warehousing is that there is nothing permanent about it.

One provision is that it comes out of warehousing in 5 years, and that could be the time you need the funds the most.

Mr. DANIELS. In other words, they come back to you and ask for the return of their money.

Mr. HILL. Yes, sir.

Mr. DANIELS. I wondered if any thought had been given to any means of collection directly from the student in one fashion or another, including the institution of a suit.

Mr. HILL. I missed your question, Congressman.

Mr. DANIELS. I was wondering, when you contemplated that a student might default on a loan, and you have already indicated in your State of Connecticut, Mr. Drolet, you have experienced defaults of 10 percent. How would you protect yourself against those defaults?

Mr. DROLET. We have an intermediate agency that guarantees them at the State level, and under our agreement with them we deliver the defaulted note.

Mr. DANIELS. There is no obligation upon you to institute suit first to reduce that obligation to a judgment?

Mr. DROLET. We deliver it to the guaranteeing foundation about 8 or 10 months after it has defaulted.

Mr. HILL. The cost of instituting that suit turns you off to begin with. In the present program, you wait 4 months. If they are 4 months behind, you can call for repayment from the Government.

Mr. DANIELS. What would you estimate the default rate to be if we were to adopt or approve the administration bill, H.R. 5191? Have you given any thought to that?

Mr. DROLET. No; but what I have given thought to is that 60 percent of the students in our State now are involved in the loan program in some fashion or another. A decade from today, they are going to be 60 percent of our market, and if we make the burden of repayment so severe, we have imposed on them almost an impossible burden.

If they are unable to repay us because the burden is so severe, then we have placed a tremendous stone around the necks of our citizenry 10 years from now.

Mr. DANIELS. What would you say would be a fair repayment basis?

Mr. DROLET. You mean an extended period of time?

Mr. DANIELS. Yes.

Mr. Drolet. Right now, under the existing program, a monthly payment of $60 is required to extinguish the note over a 10-year period. I think that is digestible.

Mr. Daniels. Of course——

Mr. Drolet. Well, this would be a student who availed himself of $1,600—excuse me, $1,500 for each of the four of his undergraduate college years and then takes the 10 years in repayment, about $60 a month.

Mr. Daniels. No further questions.

Mrs. Green. Mr. Steiger?

Mr. Steiger. You have said that 20 years is too long. Do you concur that 10 years is a more appropriate time?

Mr. O'Leary. I certainly would. I think there is a danger here. It is hard for me to understand why this administration and those who drafted it felt that they were really doing anything favorable to the student by extending this period out.

I think what we are doing here is in the early stages of going through the same mistake that was made in the home mortgage area where they extended the term out to 40 years and the interest on the loan is a multiple of the original amount borrowed. It just seems to me unconscionable to push that repayment period out.

I think there is a parallel here, and now as a matter of fact Congress is looking back at what it has done in the home mortgage area and deploring the fact that there is so much interest having to be paid over that long period of time.

I don't think it would be very long if we went to a 20-year payment when Congress would be taking a second look at this and wondering how it could have gotten those students into that particular position.

As you can see from our tables at the end of the statement—take a look at appendix table 1, part B. That would assume the longest period here and the maximum terms under their bill.

On a total borrowing of $17,500 under the administration bill, the interest would be $32,290—almost double the amount of the original loan.

Now this sort of thing, just to get the average monthly, or average quarterly charge down, just seems to me to be putting a big burden on them over a period of their life when they are going to have to undertake other obligations, and it certainly is going to increase the danger of default in this whole thing.

Mr. Steiger. To what do you attribute the Wesleyan experience of the 10 percent default?

Mr. O'Leary. In the case of Wesleyan I would say that their default rate on the loans was far in excess of 10 percent. I can't give you the exact figure. It was probably largely based on the fact that many of the students felt that the college had made a loan to them in lieu, let's say, of a scholarship grant. I think they probably made the judgment on that it was easy for them to rationalize this and say, "well, really, I ought to have had full scholarship aids, and why should I be forced to pay the loan back?"

And it was easy for them to default on it due to the lack of pressure by the college to collect the funds.

Mr. STEIGER. There is a foundation in Connecticut. Is this a system that is intended as a substitute for the school to which it is providing the loan, or is this only a secondary market for the institution handling the loan, a commercial lending institution?

Mr. DROLET. It is a primary source of funds for the enrolled student. Colleges don't play an active role, they don't generate any loans.

Mr. STEIGER. I think one of the concerns that some of us have is this whole question of the role of the institutions as loan officers.

Mr. O'LEARY. Right.

Mr. STEIGER. What is your judgment on, the possible advantage that accrues by the institution being in this business. If you go the mixture, some work study, some EOG grant, and some loan, the student financial aid officer is in a position to make the judgment regarding what a student ought to have.

If that is valid, then what form of institution, foundation, or organization, do you substitute for the student financial aid officer if you believe there is a worse problem with the college making the loan?

Mr. O'LEARY. I think there is a function that the college student aid officer should have in determining under the administration's bill, the part played by the subsidized program, but it does seem to me that to the extent that this is going to be a type of loan made by a private lending institution the student aid officer can work with the banks on this and provide his judgment as to what the needs are, you see, if there has to be a needs test.

I don't see any reason why there could not be a communication between the aid officer in the college and the bank, or savings bank or savings and loan, whatever they happened to be.

My hunch would be that this probably is already the procedure followed in many cases. That is, there is that sort of communication. One of the evidences that the banks have with respect to need is the question of what the college's judgment may be on the need.

Is that right, Harry?

It would seem to make sense.

Mr. DROLET. That is so. The financial aid officer typically certifies the cost for the ensuing year in the student's application.

I could make one comment on your query, though, Congressman. I think when there are multiple sources of funds available at the financial aid officer's desk the various sources tend to lose their identity and when a student gets in combination $3,000 or $4,000 worth of aid, I think he loses sight of the fact that some thousand or $1,500 of that may be in a loan form.

This, I think, is a discipline when the loans are granted at the college level. There can't be much doubt in a student's mind when he applies to a bank that he is applying for a loan. I am not sure that distinction is as obvious when the funds flow across the desk of a financial aid officer in a college.

Mr. STEIGER. That is an interesting point. There may be, in fact, some wisdom to it.

Among the things you mention in your statement is this maximum 7 years plus 3, or plus 9 months—10 years and 9 months (based on your belief that it is too long a period)? What would you specifically recommend we do to change it?

Mr. HILL. It is 10 years now, and our recommendation is that we don't change it at this time.

Mr. STEIGER. I am talking about the maximum in school period.

Mr. HILL. Maximum in school period?

Mr. STEIGER. You say on page 8 that you cannot support a provision of that kind. That being the case, what would you specifically recommend to change it?

Mr. HILL. I feel that if we keep things like we have them now until we gain more expertise and get more money available and work from this base, the program will be better off. Rather than making extensive changes of any kind, until then we could do more with the program we have.

Mr. DROLET. One of the probable alternatives, of course, is to give guaranteed loan support only through undergraduate years.

The 7-year availability now takes you through a Ph. D. if you work it properly.

I don't think we can ever look to repayment of any nature during enrollment in the Armed Forces, Peace Corps, et cetera, but we can cut the 10 years and 9 months back to 7, perhaps.

Mr. O'LEARY. I think we are talking primarily in terms of the interest. As I understand it, this provision would open up for a long period of time a situation in which the interest only accrued and was added to the loan, and there would be no cash flow.

This is quite a difficult situation, and, as we talked about this ourselves, we have asked, "Well, what is the solution to this?" And it is very hard to find a solution. It seems to me if there is a deferment of the interest and simply an accrual of the interest over a period of time, as we review the situation, it is going to be a major factor in deterring loans—then it probably would kill the program with commercial banks.

They just could not enter into this program on a basis where there was to be a deferment for 10 years, and possibly, I think it could be even longer if it were done voluntarily for an additional 5 years.

The banks have been perfectly willing to accept the idea of deferring the actual repayment, but when it comes to a question of not getting any cash flow, it is something that we in our judgment feel would be very, very damaging to commercial bank participation and would probably mean the end of commercial bank participation, as I understand the position we have taken.

Mr. STEIGER. One last question before we have another round. One concern that I have heard expressed by those in the banking community is the assumption by the Federal Government that there are certain priority areas that require attention such as home mortgages and student loans.

I would guess we could select these and others that we think ought to be encouraged. In your own view, is there a danger in this type of operation from the standpoint of the limited availability of funds which exists; and do you find banks being hesitant to go into the student loan field, for example, because it would hinder their ability to loan to a small businessman or some other type of customer who might be available?

Mr. O'LEARY. May I just take a crack at that, because I think this is a basic question. My own feeling is that we are coming into a period, in which we should as a matter of national priority try to find ways to get more of our real resources and financial resources into areas like housing, largely housing for poor and lower income groups, and into education. I think it is a proper principle that we reorder our priorities to get money into these areas.

It is again a question of balance. This is why we come to that secondary market facility, because we feel that through a secondary market facility this would make it possible to get some reordering in terms of a flow of money into the loan area. But I think most commercial bankers, and many businessman, today, have come around then to the view that in our society as we look ahead, we have got to get more resources into improving urban decay, and into education, and I think they would accept this as a proper reordering of priorities.

You can still say it is true that our physical resources and financial resources are limited and this becomes a matter, then, of proportion. You can't go too far. In other words, it does seem to me that if we put all our emphasis on housing and aiding students, or aiding higher education we would be neglecting certain other areas because you do, by the mere term priority indicate a shift.

I would think that most of the banking business would feel, as I do personally, that at this particular stage it is desirable to find means of reordering our priorities somewhat. However, more in the case of education and housing, although in the case of housing we are getting temporarily a very large flow of funds into housing.

It may not last long. If we come back to full employment and a strong economy, you may find housing slowed down.

I don't want you to overlook the importance of this secondary market facility, because there is one thing in the housing area that has been the salvation of housing in the past 5 years, and that has been the Federal National Housing Mortgage Association, and that is exactly what we are asking for in the student loan area.

The FNMA has been a growing success. What it has done is filled in the valleys in terms of the housing picture. Instead of going as we did, let's say, from the typical sort of thing that happened in housing historically before FNMA became so effective is that you could go from 1,800,000 down to something like 4 or 500,000 starts at the bottom, and then come back up to a couple of million.

What in effect happens now is that the whole thing is much more evened out because FNMA is in there.

The same sort of thing would happen here with respect to the Student Loan Association, as it would be a tremendously favorably step to take to see that there is a good flow of funds into student loans. Right now you can say there is no problem of availability. I am talking about student loans.

But just as sure as shooting next year or 1973, we will be back in that same sort of crisis and the one thing that could be done here entirely constructively would be to introduce this sort of device which has proved itself so effectively in the home mortgage area.

Mr. Steiger. Thank you very much.

Thank you, Madam Chairman.

Mrs. Green. I understand, Mr. O'Leary, you are an authority on FHA. What is the default there?

Mr. O'Leary. Of course, these mortgages are insured. If there is a default, you assign the mortgage over to FHA, and then FHA having insured the loan, there is a small loss to the lending institutions, but essentially it is a 100-percent pay out.

In the case of FHA, they are not paid cash, but they are paid in debentures, and usually the debentures carry an interest rate below the market. So there is some loss if you were to try to convert your debentures into cash, but it in effect amounts to 100 percent insurance, because the debentures can be used to pay charges to FNMA and so forth.

Mrs. Green. Is there a requirement to seek a judgment?

Mr. O'Leary. On the part of FNMA, there definitely would be a judgment, but in the case of the lending institutions this is not a function the lending institutions perform. What the lending institution does is assign the mortgage over to FNMA and get paid.

Mrs. Green. Let me outline to you some of the provisions of a bill I am going to put in the hopper today, and get your reaction to it with regard to the student aid provisions.

One, I am advised that the average loan now under the guaranteed student loan program is $915, and the average total per student probably is $2,000.

I have grave concern about the Government adopting a policy of increasing the total to $17,500. I think we are going to invite bankruptcy. In most other instances we have questioned the judgment of 18- to 21-year-olds in signing contracts. I think this trend is being reversed. But in the last few years we have been urging everyone to go to college, and by this policy we really encourage them to take out tremendous loans.

When I think of an 18-year-old student taking on an obligation that might reach nearly $50,000 it seems to me we are just inviting defaults and we are inviting bankruptcy proceedings on the part of students.

If a young man and woman, both with loans, marry, the loan obligation would be even more.

Let me outline, then, what I propose and have written into the bill which will be introduced today.

We would continue the NDEA as it is, and we would put it on a revolving fund basis. This does not concern you, but the higher education institutions would have far greater flexibility in combining EOG and work study and NDEA loans. Institutions would make the policy within two or three broad guidelines.

The NDEA would not be brought in under the National Student Loan Association. It would not be brought into the secondary market, or warehousing provisions. It would go to the needier students, but there would be greater flexibility so that the middle-income students would be eligible. It seems to me under the administration bill the middle-income students are eliminated from assistance.

We would retain the present 10-year period loan repayment. The guaranteed student loan would have both subsidized and nonsubsidized aspects. There would be both the secondary market and the warehousing provisions for the guaranteed student loan association.

In order for a student to obtain a subsidized loan, he would be required to have a statement from the student aid officer at the college or university he is attending certifying need. Otherwise, he would not receive a subsidized loan.

The nonsubsidized loan would require no statement from the student financial aid officer. It would be an arrangement between the lending institutions and the individual.

The government would continue to pay the interest on the subsidized loans to the lending institution and instead of the deferral as in the administration bill.

The ceiling would be raised from $1,500 to $2,500 for a 1-year period, and the maximum for the entire schooling would be raised from $7,500 to $10,000.

On interest, we would have the 7 percent statutory ceiling with an up to 3 percent market adjustment which is now in the law.

It seems to me, at least as I have listened to the testimony and as I have looked at the number of loans and at the default record in New York and Pennsylvania institutions, and the report in your statement of a 10-percent default rate in Connecticut, it seems to me that we are just inviting disaster if we follow the administration's proposal to liberalize these loans.

I think also, that we do not have to respond, in this committee, to the high cost of medical education. I have heard witnesses say, "Well, if you are going to be a medical doctor, you may have to go to $17,500, and you would not have trouble repaying it."

There is a separate program for people going into the medical profession that is under the Interstate and Foreign Commerce Committee. It is not under the jurisdiction of this committee.

I would appreciate it if you would comment on the proposal I have outlined. It is not printed, and I am sorry it is not in front of you so you can actually read it.

Mr. O'Leary. I want both my associates to comment, but my initial reaction is that what you are saying answers most of our concerns, and the sort of bill that you have in mind essentially, I think, is what we would think might be the way to proceed from this particular point.

I am not sure that my associates would agree in every detail, but the essence of what you say seems to be highly responsive to our concern about the administration's bill.

I would just say one thing, and that is, you did not say quite enough about the NSLA for me to be sure that this is something that your bill would definitely put in place and make a viable instrumentality.

I think if this is what your bill would in fact do, really, start the NSLA and provide a genuine source of liquidity for these loans, I would say your bill at this stage of development in this whole program is really a right step to take.

Mrs. Green. I might say we hope that is what we are doing in providing the secondary market and warehousing provisions. We do also have the requirement that the lending institutions and the institutions of higher education under NDEA seek a judgment. How much the Government should reimburse the institutions for the cost of bringing suits I do not know, but I think we are going to have to make such a provision.

I would think even in selling the paper we would get more of the money, or there would be the possibility of getting more of the money back.

Mr. O'Leary. Both these gentlemen are on the firing line, and they may have different reactions.

Mr. **Drolet.** The most encouraging part of what you said is that ~~we~~ will now have liquidity available in this portion of our loan portfolio. Each time we see program modifications and suggestions, they appear to be going in the right direction, and we welcome that sort of liquidity.

We found in the administration bill the complete lack of cash flow in some instances. The fact that your bill would have an interest subsidy, which I assume would assume the characteristics of the present program, the fact that you put ceilings on maximum availability, and I take it that is a 4-year program, undergraduate, as I suggested, and therefore limit the burden to the borrower to $10,000 is encouraging.

Because we are concerned about their ability to repay as much as their willingness to repay.

Mr. **Hill.** I heard a lawyer say one time if you won your case you pack up and go home. It sounds to me like we could not have asked for any better when we came in than for you to take the position you have taken.

Mrs. **Green.** I don't want you to ruin my case by having it labeled the Banker's bill. I believe it just got labeled. [Laughter.]

Mr. **Hill.** It is on behalf of the students. I think we can say that as well as other people who support other measures, but any time we can come back or send Jim in here to help you establish your NSLA we will be most glad to support it. I think it is an attitude that is very encouraging.

Mrs. **Green.** It is really based on the present law, with the exception of a light increase in the ceiling, and the provision of secondary marketing and warehousing which many of us in the House wanted to put in last time.

I have taken more than my 10 minutes. Congressman Dellenback.

Mr. **O'Leary.** I think it is great. I am glad to see my reaction was confirmed.

Mr. **Dellenback.** I read you gentlemen as, understandably being primarily concerned in this financing of education for young people with making the dollars available. I don't mean that you are not concerned about young people getting an education or having the capacity; but you are looking at this from the standpoint of the banker, where you say if you are going to be called upon to participate you are concerned about having an education equivalent of FNMA, which means you are not locked now into using your own funds indefinitely.

You are concerned about the liquidity, both in the capital liquidity but also in the income liquidity as it comes along so that there is not an indefinite deferment, and then the ultimate pay out of the loan.

You are looking at this from the financing side primarily, and that is what I read the primary thrust of your testimony to be on this morning.

Is that correct?

Mr. **O'Leary.** It is correct in this sense, but I don't think you should underestimate what underlays our feeling, and that is the fact that the question that Mr. Steiger asked, and that is in the banking community there is a real sense of feeling that somehow or other we have got to find ways to be sure there is an adequate and well-sustained flow of money into student loans, because the recognition is that education should have a higher priority and that funds should be available.

A lot of these students are going to have to borrow. When you get an education, it is a capital asset to you ~~and if you are~~ willing to incur debt to buy an automobile, certainly you ought to be willing to go to some part of the way in terms of borrowing to obtain that capital asset.

But I think our philosophy is one of a desire to encourage more participants and greater equity in the whole educational process. When you talk about how you deal with financial institutions, you are perfectly right in your interpretation that we feel that one of the things that militated against us is that these loans are available and in periods of credit tightness when the pressure is on, this is an area which, because of the illiquidity of the loans, tends to be cut off.

So you are perfectly right in describing the way we approach this in terms of financial flow, but don't underestimate what I think is social consciousness and on the part of bankers.

We are bankers, but I have four kids myself, and I am looking at those kids and listening to them, and my conscience over the past 10 or 15 years has been very much affected by my youngsters and their views, and I think that is true of all our society.

Mr. DELLENBACK. I don't mean to speak in derogation of that at all. I read you as saying when we talk about subsidy and a guaranty and FNMA equivalent in the student loan field, that the most important single thing we could do if we were to do just one would be to provide a FNMA equivalent.

Mr. O'LEARY. I think this is right. I think the NSLA idea is a whale of an idea, and if you just kept the present program and put an NSLA in there, you would meet many of the problems we have now.

Mr. DELLENBACK. So when it comes to mixing EOG and work study, and comes to what we would do in determining need or not, all those things are relevant.

Mr. O'LEARY. Right.

Mr. DELLENBACK. The primary thing you are saying to us as strongly as you can is that we would benefit the whole student loan program with NSLA, that it is vitally important that we take this particular step of not just warehousing capacity, but of secondary market, and if we can do that we will have done the most important single thing that we can do from your standpoint in connection with the student loan program.

Mr. O'LEARY. I feel very strongly about that. One of the things we have not said today, but which I am sure is in the back of your mind, or should be in the back of your mind, is that if you set up the sort of a facility, call it National Student Loan Association, you would attract into the student loan program, funds from institutions that are not at the present time making any contribution to this particular area.

For example—and this should be kept in mind—that NSLA will issue its obligations. Who will buy the obligations? They will be bought by the normal insurance company—they would never get involved in direct student loans. They are not equipped for that sort of thing.

But they would buy the obligations of NSLA, you see, so you would draw into this funds from life insurance companies and from savings and loans that would buy these securities for their own liquidity purposes. So, in effect, the total volume of funds that would come into student loan program would be expanded by this very process of having an agency that could go out and sell its own securities and tap markets that are not ordinarily tapped, for funds which would then flow into student loans where the banks would actually be making the student loans.

As you went along—I would fully anticipate that this NSLA, if it were in operation 10 years from now, might have a portfolio of $5 to $10 billion of student loans.

Mr. **Dellenback.** May I ask this particular question, realizing it is running up the red flag for you first? Some of us come from areas where housing is extremely important, from the standpoint of raw material.

Do you see this creation of another institution drawing money out of the housing market?

Mr. **O'Leary.** I don't.

Mr. **Dellenback.** You think the private money market would be strong enough to continue to move aggressively in the construction field and yet still take care of this type of thing?

Mr. **O'Leary.** There are bound to be cyclical swings, but——

Mr. **Dellenback.** You don't see a swing—a flow into this out of the area of housing?

Mr. **O'Leary.** No.

Mr. **Dellenback.** From the standpoint of administering the loans, I read you secondarily as saying to us that you feel that final decisions are better made by professionals in the field than by colleges, even through student aid officers, although you feel there perhaps would be real value in having an exchange of information and possibly a preliminary screening as to need by the student loan officer, by the institutions themselves, and then after they have had this preliminary screening, passing it along to the institutions to determine whether or not the loan should be made?

Mr. **O'Leary.** I would feel that way. I don't know if my associates would.

Mr. **Drolet.** I think a system of that nature might give rise to something that is critical, and that is counseling. The banking industry is more equipped to counsel the students with respect to incurring debt.

Mr. **Dellenback.** Finally, from the standpoint of reducing defaults, you would see the most critical things we could do would be to limit the total number of dollars that these young people could commit themselves to, and also limit the time of pay back in some way, whether it be 20, or 17, or 12, or 10, or seven, or whatever it would be.

You would see it down from the possible maximum of 20, and these would be two most significant things that we could do, place limits on the amount of loans available, and reduce the maximum time of payback.

Mr. **Drolet.** Those two things almost tug at each other in contradiction. I think the best thing to do is put a realistic ceiling on the amount of dollars available.

Mrs. **Green.** Congressman Daniels?

Mr. **Daniels**. I wonder if you gentlemen, when the bill becomes available, would give serious consideration to the question of default and the best method about collection.

Now I think the lending institution ought to play a role in the collection process, and as long as we keep that separate and apart from the institutions, then the institutions will not get a black eye, so I would like to have your thoughts on the role that the lending institutions would play in that area, and also as to the sharing of costs and the legal expense.

Now the question of costs is a very, very simple one. When a matter is reduced to a judgment, I believe all States provide for the automatic adding of costs to the judgment as part of it, but the question of counsel fees is a different item.

Now, the question of fees will vary from individual to individual and also from State to State. Perhaps we might give consideration to a schedule of collection fees, like those legal fee schedules established for the collection of commercial claims.

They have a fee schedule depending upon the amount of the loan which is a fair and reasonable one. Martindale and Hubbard contain names of attorneys who do that type of collection work.

Therefore, when you receive this bill, I would direct your attention to the default aspect of a loan and ask you to give us your thoughts on collection because that is a phase in which I am interested.

Mr. **O'Leary**. May I ask, Mrs. Green, when your bill is available, could we have the opportunity to present you with a written statement with respect to it, which, if it sounds the way it did this morning, I think you might be glad to have our comments?

Mrs. **Green**. We would greatly appreciate that, and perhaps, too, depending on the areas of agreement and disagreement, you may wish to come back. You can be in contact with Mr. Hogan on it.

(The document referred to follows:)

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., May 3, 1971.

Hon. EDITH GREEN,
Chairman, Subcommittee on Education, Education and Labor Committee, House of Representatives, Washington, D.C.

DEAR MRS. GREEN: Testifying on April 6, 1971 before the special Subcommittee on Education, representatives of The American Bankers Association indicated an urgent need in two areas of the Guaranteed Student Loan Program. These are the establishment of a strong viable secondary market and the extension of existing provisions of the Guaranteed Student Loan Program, beyond June 30, 1971.

During the testimony, they expressed grave concern that the program proposed by H.R. 5191 would place harsh economic burdens on the student borrower and would impose stringent financial hardships on lending institutions. While the A.B.A. representatives were before the Subcommittee, you indicated that you would be introducing a new bill to amend the Higher Education Act of 1965. Mr. James O'Leary, one of the witnesses, asked permission to comment on these new proposals at a later date.

Accordingly, we would like to present the views of The American Bankers Association on H.R. 7248, as they relate to the Guaranteed Student Loan Program, and the creation of a Student Loan Marketing Association. We would like this letter to be made part of the record of the hearings.

As we interpret this legislation, H.R. 7248 would continue for five years the existing Guaranteed Student Loan Program and those provisions in the Emergency Student Loan Act of 1969 that relate to the special interest allowance payable by the Secretary of HEW. Under your bill, the present interest ceiling would remain at seven percent and the Secretary would retain the authority to ~~pay the~~ special interest allowance up to three percent.

The existing repayment period would remain ten years while repayment of principal would continue to be deferred during the in-school period and up to three years for military service, service in the Peace Corps, or Vista.

The program of subsidized and non-subsidized loans would continue, as at present, except that the subsidized loan program would not be related to "adjusted family income of the borrower", but would merely require a certification by an eligible institution. Students receiving subsidized loans would have all of the interest paid by the government on a quarterly basis while in school and during the deferment period. Students receiving non-subsidized loans would pay the interest on their loans while in school, and during the deferment period, but the government would pay the special allowance quarterly.

As at present, the government would continue to pay the special allowance for all students during the principal repayment period.

The bill would also increase the maximum amount a student could borrow for one year from $1,500 to $2,500 and increase the total amount that could be borrowed from $7,500 to $10,000.

Although we are entirely sympathetic with the desires of the Congress, to reduce defaults on the loans as much as possible to minimize a possible financial burden upon the Federal Government, this is the one area of the bill (Section 430) that does give us a great deal of concern.

As we envision it, there will be three major problems:

(1) The difficulty of obtaining service of process so as to bring the borrower before a court of competent jurisdiction in view of the likelihood of continual mobility on the part of the student.

(2) The difficulty in obtaining a judgment against a defaulting borrower who contracts to borrow as a minor.

(3) The time involved in the procedure to reduce these notes to judgment could exceed the normal charge-off period required by regulatory agencies.

May we suggest that a system of regional claim offices be established similar to those operating under the FHA title 1 program. In this process, the FHA takes over the notes before reducing the defaults to judgment. In the Student Loan Program, government persuasion is likely to be more effective than attempts at collection by private lenders. At the same time, such a procedure would limit the exposure of young people to having judgment on their records.

We would like to suggest, as an alternative, some method whereby the borrower would create an agency relationship, with his parents, the school, or the government for service of process. This is now done under the various state motor vehicle laws where the Secretary of State becomes the licensed driver's agent for service or process. We would hope the Committee could devise some method to create this relationship.

On line eleven and twelve of Section 430, there is reference to compensation for costs involved in reducing the note to judgment. We assume that these costs refer and would cover not only attorney's fees and court costs, but also those costs that might conceivably be incurred in tracing the borrower's present location.

Considering the present mobility of students and the anticipated default rate, we wonder whether the cost involved in reducing the notes to judgment, as set forth in Section 430, might be so high as to make this a major financial undertaking for the Federal Government.

Accordingly, it would be most helpful if the Committee could devise a procedure enabling the lender to obtain jurisdiction over the borrower without going through the long and costly process of tracing him down, serving him and finally reducing the note to judgment.

We are pleased to note that Part F of H.R. 7248, would create a Student Loan Marketing Association, which would serve as a true secondary market as well as a warehousing facility for insured student loans. The Association would be authorized to buy and sell insured student loans and to make advances upon the security of such loans, with the purpose of providing liquidity for student loan portfolios when needed. We assume the agency created by this bill would operate in a fashion similar to the Federal National Mortgage Association, and that all lenders would be treated on an equal basis rather than giving first preference to school lenders as had been intended under H.R. 5191. As you know, we have long advocated that Congress create a facility of this type to enable lenders to make more student loans during periods of monetary stringency.

The American Bankers Association would like to go on record as strongly supporting the provisions as set forth in H.R. 7248. However, we hope the Committee will give due consideration to the recommendations related to Section 430 of this bill.

As we see it H.R. 7248 would have several major beneficial effects. Besides providing for a secondary market, it would allow the Guaranteed Student Loan Program to continue to be viable beyond June 30 of this year. It would also permit the evaluation of existing administrative techniques and the problems of collection in the light of the experience during the first major repayment cycle of the program. We commend the Committee for what we feel is a workable and urgently needed piece of legislation and we thank the Committee for giving us this opportunity to submit our views.

Sincerely,

CLIFFORD C. SOMMER, *President*.

Mrs. GREEN. If my colleague would yield.

Mr. O'Leary, Mr. Hogan gave me a note saying that on the multiple unit there is no foreclosure by FHA, but in the single family there is a requirement for foreclosure.

On the remodeling, if open, it can be either the FHA or the bank, but there are built-in inducements to try to get the bank to get the judgment itself, and the costs are reimbursable on a fee schedule set up by FHA.

In the bill which I am putting in, the fees, the costs that would be reimbursible to the lending institutions or to institutions of higher education would be set up by the Commissioner of Education.

Mr. O'LEARY. You were the one who said I was the expert on FHA, and I was going to deny it, but then I thought that would only prolong the discussion.

Mrs. GREEN. May I say Mr. Hogan does not pretend to be the expert on it.

Mr. O'LEARY. That was my recollection, but in any event, I would say I think you would do very well to pursue exactly what Mr. Hogan has done. What the procedures will be or have been in the case of the FHA because they could really shed a light on what procedures would be followed here——

Mrs. GREEN. The suggestion that Mr. Daniels made, also.

Mr. STEIGER. Would the gentleman yield?

Mr. DANIELS. I yield.

Mr. STEIGER. There is not anything to foreclose on, is there? You are not trying to get us into the market——

Mrs. GREEN. Seeking a judgment.

Mr. HILL. If you get a judgment, you can get him.

Mr. DANIELS. The difference, of course, would be that on an FHA mortgage you have a piece of real estate which is collateral security for your note or mortgage. All you have here is a piece of commercial paper, a note which is negotiable and——

Mr. STEIGER. I just want to make sure we draw that distinction.

Mr. O'LEARY. There is a distinction. You can't bring the parallelism too far. One thing, however, that is important is that the procedures are different in the case of FHA and in the case of a VA loan.

There is some difference in the procedures there, and it would be worth your while just to see maybe what those differences are. In the case of VA, when there is a default on a VA guaranteed loan, there is a cash payout.

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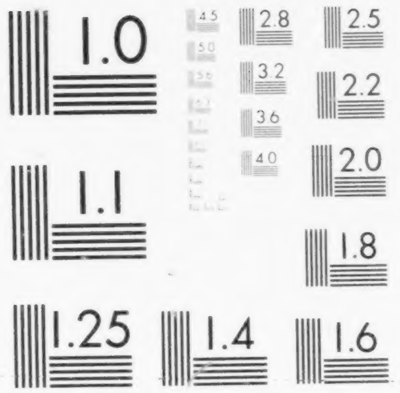
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They pay cash, whereas in the case of FHA, you get debentures, and there are other variations in those procedures. So that it might be desirable to see what could be learned about the procedures in both FHA and VA and what the variations are.

Mr. DELLENBACK. Would you yield once more?

Mr. DANIELS. Yes.

Mr. DELLENBACK. In addition to the lack of collateral security, particularly, if there be interest, mobility often makes the person very difficult to find and very difficult to get jurisdiction, so even when it comes to the simple matter of getting a judgment without having something to foreclose against——

Mr. DANIELS. I have just one further question. The question arose earlier regarding the making of student loans to students between ages 18 and 21. Many States do not acknowledge as a legal obligation a note signed by a student under 21, and I think the law might vary from State to State on that.

Would you recommend to this committee that to avoid any legal entanglements on that score as to the legality of such a note signed by a student under 21 years of age that the note be endorsed by his parents or guardian, or some person with responsibility to that child?

Mr. DROLET. I think every State has legislation that is specific to the point of the 18-year-old, or the minor under 21 years of age. I don't think you can overcome a deficiency like that by imposing a burden on what might well be parents or guardians.

I don't think that is the answer. What you might do is to get an acknowledgement of the debt when a minor reaches a majority, and in most instances that would be before the repayment was required anyway.

Mr. DANIELS. Suppose he refused to acknowledge the obligation?

Mr. DROLET. I don't think pursuing the parent or guardian is a remedy at all.

Mr. DANIELS. Don't you think the parent or guardian has a moral obligation?

Mr. DROLET. There would be multiple obligations to other members of the family, and inability to repay, rather than unwillingness, would come to bear here, I think.

Mr. DANIELS. I don't agree with your thinking.

Mrs. GREEN. Would you yield?

Mr. DANIELS. Yes.

Mrs. GREEN. I want to go back to seeking the judgment. Even though there obviously is not the collateral that there is in FHA, it seems to me there are good reasons for putting this provision in.

First, there might be greater care in making the loans; and second, more consideration may be given to the total amount that the student could expect to borrow and reasonably pay back if we required the lending institutions to seek the judgment.

We had an instance cited the other day by a witness where a loan had been in default since 1962. But the individual wanted to buy a house, and since there was a judgment before he bought the house, he paid up his loan that he had refused to pay up to that time.

It seems to me there might be many instances of this kind, if a judgment had been obtained, that at some future time they would be concerned about their credit and other obligations.

The third factor is that if a paper were turned over to some kind of collecting agency, they might get a third of it back, or part of it back, where if we did not have such a requirement of getting the judgment we probably would lose that much.

Mr. HILL. Judgments in court and, of course, that is just one place, and there is the other thing of multiple loans by various lending agencies. In other words, as they move around they have three or four loans. I do think when you get into the secondary market you will develop some practice in pooling and some way or other I believe you can develop the mechanism where you will get credit if you join a pool that seeks a judgment.

That would certainly help it. I don't know where you would record this thing, but I believe that we will learn and go from there.

Mr. DANIELS. I have no further questions.

Mrs. GREEN. Congressman Steiger?

Mr. STEIGER. Let me ask one question on your statement on page 11 regarding the administration's proposed NSLA, and your concern about the problem between an institution and a bank. I don't know whether the gentlelady's bill handles this problem or not; what are you asking us to do to resolve the concern you have in this area?

Mr. O'LEARY. Our basic concern is that NSLA at any time is going to have limited resources to buy student loans in the secondary market operations, and our concern is that in the two subsidized programs the university or college originating those loans, has no resource, really, to work with.

It does not have resources where it could make loans and hold a portfolio. You have to expect that the loans made by the educational institutions would be turned over immediately to Sallie Mae and they will be turned over at par with no risk. As a matter of fact, the chances are that they would be turned over immediately.

Our concern is that what this would do, in effect, would be to limit very severely the usage of Sallie Mae as a secondary market facility for the nonsubsidized loan part of it which, under this bill, we would feel would be the primary area.

So what we are saying in effect is that on any reasonable basis given the fact that there is going to be some limitation on the amount of money that Sallie Mae can raise by selling obligations, there will always be a practical limit because it is going to be out there competing with the home loan banks, the Fannie Mae, and other Federal agencies selling their securities, and there is bound to be some sort of limit imposed, either in the market, or the Treasury may impose some limit on how much they can sell, you see.

So our concern is that this institution, the educational institution, would, in effect, absorb the great bulk of money that Sallie Mae would have available, and as the secondary mortgage facility it would be relatively useless to the banks in terms of where we think the real need is.

In effect, the NSLA would become just a conduit for the Government to get money into educational institutions to make these loans. Now, if this is what the intent of the Congress is, that is another thing—if NSLA is going to be a secondary market facility, we think the way it is structured now there would be very little money available for a secondary market facility, at least of the type banks need. What the solution is to it, I don't know. Maybe there ought to be a clean-cut sort of operation where there is some sort of a central bank that makes funds available to the institutions and they go ahead and do their lending, but to have, then, a genuine secondary market facility for the sort of lending program that the private financial institutions would carry out, you see.

This is the problem as we see it.

Mr. STEIGER. Thank you.

Mrs. GREEN. Congressman Ruth.

Mr. RUTH. Since these loans are made on the ability of the individual to pay after he has become educated, what would be your basis for not recommending making the loan?

You remember, you said that you thought the bank should have some say in whether the loan should be made, as well as the school administration, in your discussion with Mr. Dellenback. We know that this individual is being loaned this money on the basis of his ability to pay in the future.

What would be your yardstick for recommending that a student not get a loan?

Mr. HILL. Need for it, because of the possible limitations of funds. Need is what we are talking about, and if he does not have the need and there are limited funds, then students who do have the need get it, and we would use the universities criteria for need.

Mr. RUTH. That is what the university is supposed to be doing at the present time. You would like to stay in that also.

Mr. HILL. We would have access to their files, which we use presently, just like we do for a credit bureau.

The credit bureau gives you information but they don't make the loan, and we would use the university's information on need.

Mr. RUTH. As you interpret the interest rate, is this a true interest based on the unpaid balance, or is it based on the amount of the original loan?

Mr. HILL. It is based on the unpaid balance of 100 percent. It is even less than that if there are deferments.

Mr. RUTH. This is a difficult figure, because it is hard to put an equalization payment in it and because you don't know when the student is going to start and when he is going to stop.

Thank you, Madam Chairman.

Mrs. GREEN. Are there other questions?

We appreciate very much having the three of you here today. You have been very, very helpful.

Mr. O'LEARY. Thank you very much. It is a real pleasure to appear before you.

Mrs. GREEN. The second witness before the committee is Mr. Henry Bowes, president of the Bell & Howell Co. They have a particular problem with respect to the student financial aid programs and with the guidelines written by the Office of Education.

We are delighted to have you here, Mr. Bowes. Will you introduce your two colleagues, and then would you please proceed? Could you summarize your statement?

STATEMENT OF HENRY E. BOWES, PRESIDENT, THE BELL & HOWELL CO.; ACCOMPANIED BY LAWRENCE HOWE AND GEORGE DOHERTY

Mrs. GREEN. Before you begin, may I say that in the bill I am introducing, we do have a provision for part-time students, for students attending proprietary institutions.

Mr. BOWES. Thank you very much, Madam Chairman.

(The statement referred to follows:)

PREPARED STATEMENT OF HENRY E. BOWES, PRESIDENT, BELL & HOWELL CO., WASHINGTON, D.C.

We welcome the opportunity to appear before this Committee to discuss the Federal insured student loan program, and particularly its great importance to middle and lower income students attending vocational and technical schools. In doing this we speak only for Bell & Howell Schools, though there are many other schools whose students have the same needs as ours.

We believe we can explain our position most clearly by describing briefly Bell & Howell Schools, the national need for the technicians we train, the background of our typical students, and the need for the availability of funds for our students.

BELL & HOWELL SCHOOLS

Bell & Howell Schools offers a system of educational programs in electronics technology through a network of resident schools and independent study programs. The seven schools located in the United States and one in Canada had a total enrollment of 5,465 at the beginning of 1971. The approximate enrollment in independent study programs is an additional 20,000.

All of the programs prepare students for employment in one of the most rapidly growing fields in the labor force. The resident schools offer twelve and nine quarter Bachelor and Associate degree programs. The graduates of these programs, usually called "engineering technicians," work closely with engineers on design teams, in research, and a variety of other specific jobs. They also carry out the plans created by the engineer and they work in the field installing complex electronic equipment.

Our resident schools also offer a six quarter course, the graduates of which are called, simply, "electronic technicians." These men trouble-shoot and maintain the great variety of electronic equipment and controls installed in every kind of industry; they also repair communications devices and all kinds of home entertainment electronics equipment.

Through specialized courses, the independent study programs prepare students, who work on lessons at home, to enter one of the three broad fields at the technician level. The graduates of these programs can transfer directly to our resident technician program with three or four quarters credit.

Non-tax supported schools, such as those operated by Bell & Howell, have a special incentive to provide effective high quality education. These schools must prepare graduates whom industry will want to employ or they will go out of business. We therefore maintain an aggressive graduate placement service. This service goes beyond arranging interviews at time of graduation. It markets the student product by helping him present himself most effectively to the employers who most need his particular skills. It is based on close, continuing contact with virtually all employers of electronics technicians throughout the country. It does not stop until, in most cases, the student is employed in his career. In 1970 the graduates from the Chicago school in the technology program had a median starting salary of $838 per month with Bachelor's Degrees and $674 with Associate Degrees.

In addition to continuing to turn out employable graduates, we must and do maintain active programs to improve the effectiveness of our teaching methods relative to cost.

For example, we have instituted programs for incoming students designed to overcome the deficiencies in basic arithmetic and reading which severely handicap many of these students—both veterans who have been away from school for a period of time and recent high school graduates. This preparatory work consists of a full quarter in which the student receives special attention in those subjects in which weakness has in the past caused frequent dropouts—essentially reading, arithmetic and basic physical science. The student also receives additional, individual counselling. This program will undoubtedly develop further, but we believe is an essential part of our operation. Correcting these weaknesses in incoming students greatly increases their chances of success in school and ultimately in jobs.

In the independent study courses we hold regular supplementary and tutorial class sessions throughout the country to allow students studying at home to meet with our resident school instructors to receive special instruction and to solve individual problems.

In addition we are devoting substantial effort to improving teaching methods, particularly in the use of self instruction, both at home and in our schools. For example, we are currently experimenting with the use of tape cassettes for students at home, are using tapes with the remedial work, and are investigating other audio/visual devices to determine their effectiveness.

NATIONAL NEED FOR TECHNICIANS

To speak of a national need for technicians while there is large-scale unemployment of engineers and scientists in the aero-space and other industries may seem unrealistic. However, our courses last from 1½ to 3 calendar years, and we are therefore educating for future needs. However bad the employment situation for engineers and scientists is today, we share the view of President Weisner of M. I. T. that this country needs to spend more on engineering and scientific research and development if it is to stay competitive in technology, and therefore in trade, with Western Europe and Japan.

The national shortage of technicians in this decade is thoroughly documented in The Technical Manpower Shortage: How Acute? published in 1969 by the National Industrial Conference Board. This study estimates that 560.000 new engineering technicians will be required by the year 1975 while only 340,000–400,000 engineering technicians will be supplied by all existing methods of training technicians, including employer training programs.[1] Of the total estimated new supply of technicians only about 40–45 per cent will have the "preferred post secondary, pre-employment training. . . ."[2] Thus, based on these estimates there will be in 1975 a critical need for from 386,000 to 424,000 engineering technicians with the kind of college level technician training provided by Bell & Howell Schools.

That estimate, while it indicates the existence of a severe problem, is very conservative. Actual needs are probably much higher. At present each engineer, on the average, has only approximately two-thirds of an engineering technician to assist him. Effective utilization of the skills of the engineer would, however, require a ratio of two technicians (rather than two-thirds of a technician) for each engineer. If this ratio is to be achieved, some 4,000,000 technicians would be needed by 1973.[3] Even a ratio of two technicians to one engineer may be inadequate to fully utilize the skills of today's highly trained engineers. Thus, the Director of Engineering Programs for RCA has indicated[4] that RCA can most effectively utilize its engineering resources by giving each engineer the support of four engineering technologists with bachelor's degrees, who, in turn, would each be supported by two engineering technicians with associate degrees.

Thus, the additional number of high level technicians that could be profitably employed is enormous.

The problem is aggravated by the change in content and emphasis in college engineering courses. Engineering courses have necessarily become more scientific and theoretical, and the graduate engineer is further removed from the problems of putting his concepts into actual practice in the form of properly functioning equipment.[5] As a result the engineer must function as part of a team which includes increasing numbers of high level technicians.

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[1] The Technical Manpower Shortage: How Acute?, p. 59.

[2] Id., p. 68.

[3] Educators Plus Employers, A Team to Meet the Critical Need for Technicians, Charles R. Bowen, Manager, Education Program Development, IBM Corporation, School Shop Magazine, March, 1969.

[4] In a paper presented in October, 1970, before the American Society for Engineering Education in Cleveland, Ohio.

[5] *Id.*, p. 29.

Private schools play a critically important role in providing engineering technicians with the high level of training now required.[6] High schools cannot do it, because a post-secondary level of education in mathematics and technical subjects is required. Junior colleges, which offer a great diversity of programs, cannot graduate enough technicians, and the standard two-year length of the Junior college program also imposes certain limitations. We believe that proprietary schools should play an increasingly large role in this field of education—and are equipped to do so.

The need is so great that a variety of sources of education are required. In-plant training is an inadequate substitute for more formal courses, it tends to be too narrow, a fact that is particularly damaging as technology becomes more complex.

STUDENTS UNABLE TO GO TO COLLEGE

It is becoming a commonplace that American education seems to exist, and to operate successfully, for an elite. A national survey in 1966 showed that only 71 per cent of the students who started first grade completed high school. Only 35 per cent of first grade students start college, and only 18 per cent graduate from four-year college programs. Perhaps another 10 per cent graduate from two-year college programs. Thus less than 30 per cent graduate from two or four year college programs, and of these some are not prepared for any career.

We are concerned with the 70 per cent of the youth of America who do not graduate from college. Except for a relatively small percentage of graduates of vocational high schools and private technical schools, these 70 per cent are not generally employable when they leave school, in a society which more than ever demands some skill, some occupational education, as a condition of employment.

If one agrees that the primary need of American education, its first task, is to prepare our youth with the knowledge and skills they need to get jobs, it is quite clear that two-thirds are not being prepared. This obviously calls for an expansion or adaption of school facilities to care for increasing numbers of students who do not attend college.

But these students also need financial help. There is, generally speaking, a connection between the family incomes of the 70 per cent and their ability to start college. Of course, many students of poor or lower or middle income families do, because of their talent, have successful college careers, but a poor or mediocre student of relatively low family income has a poor educational and career prospect in our society.

Unfortunately, under the present statutes and regulations, these same students face serious handicaps in obtaining financial assistance. Because their high school grades are not exceptional, they don't get scholarships or other grants. And because their families often don't have banking connections, their ability to get Federal insured loans is limited. We believe this to be a serious problem facing the guaranteed loan program today.

TYPICAL STUDENT BELL & HOWELL SCHOOLS

Over 80 per cent of the students attending our resident schools, in which the tuition is $456 per quarter plus about $30 for books, hold part time jobs to help support themselves while they are in school. Over 30 per cent work more than 30 hours a week at these jobs. Class schedules are established at five hours per day and arranged so that students can hold these jobs. Working this number of hours at an average rate of $2.00 per hour allows a student generally to earn his living expenses.

Typically our resident school students are under 22 years of age, though a large number of somewhat older veterans are enrolled. Most of the students must be largely self-supporting. Their families cannot contribute more than a small part of what they need, and often can give nothing. In fact, in a recent class in our Chicago school, 39 per cent of the students come from families in which the father held an unskilled job either in industry or on a farm. An additional 24 per cent came from homes in which there was no father.

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[6] Published in Engineering Education, January, 1970. For example a survey of 428 schools conducted by the Engineering Manpower Commission for the 1968–69 school year showed that 18,406 associate degrees in all areas of engineering technology were awarded during that year. In that year Bell & Howell Schools graduated 895 students with Associate Degrees in electronic engineering technology or 4.86 per cent of the total associate degrees in all fields of engineering technology.

In short, our students do not have many "advantages"—but they are hard-working, ambitious, and responsible young men and women working to improve themselves and become independent in the best American tradition. We believe they are good risks for loans. After they graduate and obtain jobs in electronics, they easily earn enough to repay the loans. During the past year the number of black students enrolled has increased substantially because of active recruitment. In Atlanta 35 per cent of the enrollment is black, in Kansas City nine per cent of the incoming class is black, in Chicago seven per cent of the full time students, in Dallas 8 per cent, in Columbus seven per cent, in Phoenix two per cent, and in Union, New Jersey eight per cent. In addition substantial numbers of Mexicans and some Indians are enrolled in the Dallas and Phoenix schools.

Students studying at home in the independent study programs which range in tuition from $750 to $1,275 are more diverse in their ages. Typically they are taking the course to enter a new type of job or to improve their chances for advancement with their present employer. By studying in this fashion they are able to continue working full time.

IMPORTANCE OF ASSISTING STUDENTS IN GETTING FINANCIAL HELP

Because our students to a major degee do not have the financial resources to cover their tuition, two facts are very clear. First, some kind of outside assistance is essential and, second, this assistance must be obtained for the students by the school—their families can't normally arrange this for them.

The Federal insured student loan program has been effective in meeting the requirements of our students. It provides a viable means by which students can prepare themselves for jobs. Many of our students, however, are able to get loans only because Bell & Howell Schools has been able to arrange these loans with the American National Bank in Chicago.

The backgrounds of our students, both resident and independent study, do not provide them with ready access to banks and other institutions which grant guaranteed loans. This difficulty is also indicated by the "Survey of Lender Practices Relating to the Guaranteed Loan Program" published in March, 1970. It showed that 89 per cent of these loans were made to depositors.

For a high percentage of students such as ours to obtain loans, it is essential that the school be able to assist in obtaining loans. However, the rate paid on insured loans, even with the Special Allowance, which was 1½% in the quarter ending December 31, 1970, is not enough to encourage banks to make these loans unless the student, the student's family or the school maintains compensating balances.

As you know, compensating balances in the amount of 10 to 20 or more per cent of the loan are a typical practice and a requirement of commercial banks in lending to business. We now maintain such balances with the banks who lend, upon our request, to our students. However, since the issuance by the Office of Education on October 31 of certain rules and regulations respecting the Federally Insured Loan Program, there has been some question about the compensating balances maintained by schools.

The existence of this question has caused real concern among banks to the point where one of the largest bank lenders has stopped all lending. This will mean in effect that banks will not, under normal circumstances, lend to lower and middle income students. Everybody, including this committee, recognizes that these students need financial help that they are not getting today. We hope that the Office of Education will remove whatever question there may be about the admissibility of compensating balances, so that banks will freely lend to such students as these. We understand that progress is being made by the Office of Education to this end.

SUMMARY

It is clear that there is an enormous need for meaningful career education and skills to be provided to the 70 percent of our country's youth who do not graduate from a two or four year college. This need is not just technological or economic but one that is critical to the health of our society. We are convinced that many of these students can be educated to be readily employable, not just as technicians but in many other occupations. We also believe that proprietary schools must play an important role in this area. Proprietary schools have a special incentive for providing effective education at both ends of their educational spectrum: when students enter school, to compensate for and remove whatever defects they may bring with them from their previous education, and, when their students graduate, to find them jobs in their careers.

Instead of growing, as it must, vocational and technical education will decline rapidly without a strong program of student financial aid.

Mr. Bowes. To summarize, the Bell and Howell schools are seven schools in the United States and one in Canada, and in the United States the total enrollment is 5,465. We have a home study enrollment of 20,000 throughout the United States. We offer principally three courses, a 12- a nine- and a six-quarter course. The reason we say it that way is that our students go to school 12 months a year, and the 12 is a 3-year course which leads to a degree much the same as a 4-year course would in a normal school.

These schools are vocational proprietary schools training engineering and electrical technicians. We state on page 3 that our 1970 graduates had a starting salary of $838 per month with the bachelor's degree.

We feel very strongly that our students when they graduate compete very strongly and favorably with 4 year college or 2 year junior college, depending on which degree they have.

There is a tremendous need for electronics technicians. We state on page 6 that the estimates are that there will be a need for between 386,000 and 424,000 of them through 1975. These students when they become electronics technicians assist engineers. They are the practical nurses, in my words. They put the equipment together. At the present time, there are three-quarters, on the average, technicians per engineer.

In the next 3 or 4 years there will be two technicians per engineer, freeing up the engineer for the research he is trained to do.

I was doing this as I listened earlier, and I am trying to pick them out. I think I can go to page 9. Our students are quite a different type of student than the average student that goes to college.

There are high school graduates who are not prepared either financially or through their training and high school to enter into a full college course. They, of course, also come from the lower income families and over 80 percent of our students require financial help.

At the same time, I want to point out that of our students, 80 percent of them work to support themselves as they go through our schools. Over 30 percent of these students work more than 30 hours a week at these jobs, and they make an average of about $2, which pays for their room and board, clothing, transportation and the like.

Our residential school students are under 22 years of age primarily. As I say, they are mostly self-supporting. As an example in the recent class entering our Chicago school, 39 percent of the students came from families in which the father had an unskilled job either in industry or agriculture, and just as interestingly, an additional 24 percent came from homes where there was no father.

During the past year, the number of black students enrolled has increased substantially, as you can see on page 12.

Atlanta had 35 percent, Kansas City 9 percent, Chicago 7 percent, Dallas 8, Columbus 7, Phoenix 2 percent. We do not have the figures with us on the amount of Mexicans and Indians. There are a large amount of Mexicans, not as many Indians as we would like.

In Union, N.J., the figure 8 percent appears. In the home study, the average student is a great deal older, 25 and above.

He is usually married, and he is usually working and in order to improve himself the only way he can do it is through home study. He cannot afford to tear up his life and go to a residential college.

In summary it is clear that there is an enormous need for a meaningful career education and skills to be provided to the 70 percent of the country's youth who do not graduate from mature 4 year colleges, and this need is just not technological or economic, but one that is critical to the health of our society.

We are convinced that many of these students can be educated to be readily employable, not just as technicians, but as in many other occupations, and incidentally, I would like to say that you were discussing their paying back these loans.

We find that our students are quite dedicated young men and women. Obviously if they are going to work 30 hours a week and go to school, too, they have to have some motivation.

But just as importantly, the student is our product, and we are very interested in seeing that he does come out with these sorts of jobs that pay the kind of money that I have used in here.

I might say to you, ladies and gentlemen, that if he does come out with a $600, $700 or $800 a month salary, and if he has had a loan through a bank where he realizes that that is a credit rating sort of thing, I think you will find that he will be very loath to destroy his credit rating. That is only a personal opinion.

I hasten to add I am no banker, and make no pretense of being, but I think it is an important point.

Proprietary schools have a special incentive for providing effective education at both ends of their educational spectrum; when students enter school, to come in and compensate for and remove whatever defect they may bring with them from their previous education, and when students graduate to find them jobs in their careers.

Because we are working with the lower 70 percent of high school graduates and we do find that a great many of the students who come to us are not prepared to enter a technical education, we therefore have started in the last year remedial first quarter courses in both mathematics and in reading, English in the literature, but just reading.

We do get students who have graduated from high school who cannot do simple fractions, and it is to our advantage of course, to keep these students in school, and therefore we have started this remedial course which so far has proved to be very, very interesting to us.

It has about doubled the retention of students in these experimental courses that we are now doing. We intend to go nationwide with it to our other six schools in the very near future.

To sum it up, instead of growing, as it must, vocational and technical education will decline rapidly without a strong program of student financial aid.

Our problem has been that our students usually come from families who do not have banking connections in the normal way. In other words, their family does not have a savings or checking account, or, if they do, a very modest one, and therefore they are not known at the banks and therefore we as a school must get the loans for them.

I think that summarizes it. I tried to do it very rapidly, and I think that summarized what we have written in the remarks.

Mrs. **Green**. Thank you very much. What is your actual cost to the students for training?

Mr. **Bowes**. $456 a quarter, from memory.

Mrs. **Green**. That is what you charge the student?

Mr. **Bowes**. Yes.

Mrs. **Green**. Does that cover the entire cost?

Mr. **Bowes**. Yes, indeed, plus $30 for books a year.

Mrs. **Green**. How many quarters?

Mr. **Bowes**. That would be $1,824 a year.

Mrs. **Green**. For 12 months?

Mr. **Bowes**. For 12 months.

Mrs. **Green**. And $90 for books, $120?

Mr. **Doherty**. It would be $120.

Mrs. **Green**. So it would be around $2,000. What is your cost of remedial or compensatory education?

Mr. **Bowes**. You mean the first quarter course?

We put them through the first quarter at the same rate. In other words, they would go one quarter longer than other students. It would be $456 a quarter.

Mrs. **Green**. In terms of accreditation, do you have any recommendations in this? This is a thorny problem when we include proprietary schools. Do you have any recommendations to this committee in terms of should we allow the aid to go to all the students in all proprietary institutions or the ones that are now accredited by regional accreditation institutions?

Mr. **Bowes**. Let me first say, Madam Chairman, that I do not speak for any group of schools, except Bell and Howell. I am not an officer of any association in the schools. I would think, George, that you might like to speak to that.

Mr. **Doherty**. Well, I think that we all know that there is a problem of quality of education in proprietary schools. There are some people in proprietary education who are so shortsighted that their primary emphasis is on making money.

Now, there are not many of those, but the fact that this exists requires accreditation, it seems to me, with respect to any kind of government privilege.

Mr. **Bowes**. George, there is accreditation today. I think what Mrs. Green is saying is, is it adequate?

Mr. **Doherty**. So far as its adequacy is concerned, we feel that accreditation should become independent as quickly as possible. The accrediting commissions of the proprietary school associations should be appointed by agencies other than the schools themselves.

Mrs. **Green**. If you would, give more thought to this. We want to avoid the situation that happened after World War II in the GI bill. But I think so many proprietary schools are doing an outstanding job. I think the costs and the motivation which they are somehow able to implant in the students, their placement rates, the turnover rates, compare favorably with publically supported colleges, I certainly would not want us to go any longer without making all the kinds of aid available to them, but again the accreditation feature is difficult.

Congressman Steiger?

Mr. STEIGER. One of the problems that has arisen in Wisconsin is, there is a possibility that the student may enroll and therefore be eligible for a loan, and then not be retained by the institution. As a result of that action, his tuition has been paid out of the loan, the student has dropped out of school, the school retains the funds that were paid to it, and the student ends up with an obligation that he or she must bear and pay back.

Mr. BOWES. In the resident school, Congressman, they pay by the quarter. Are you talking about resident, or home study, or both?

Mr. STEIGER. I think it is not taking place in the residential study.

Mr. BOWES. You are talking about the home study?

Mr. STEIGER. In both home study or in institutional study.

Mr. BOWES. Again, let me emphasize, as far as the resident course is concerned, they pay by the quarter, and it is certainly not to the best adavntage of any well run school to want the student to drop out at the end of a quarter and in home study, the National Council has certain rules which we all follow.

However, in addition to that, if the student does not cancel and is not submitting lessons, we take the initiative of canceling him until such time as he wants to come back in, and the money is partially refunded because of that.

I don't know what you mean by institutional, so I am lost on that one.

Mr. STEIGER. As contrasted to home study, where a student may be enrolled and live at home.

Mr. BOWES. Home study is what you mean by institutional. Let me tell you some of the things we are doing on home study. I don't know whether you took a course, but I did in the Marine Corps, and you feel you are out on the end of a long pipe. We have help sessions throughout the country where we invite all of the home study students to come in on a weekend.

We have our professors there, within a 200-mile radius to discuss all their problems, to really get a feel that they are somewhat more than just a face or a letter.

Number 2, we are using certain audio visual techniques in controlled groups. Now, we have 750 students in which we are using tape cassettes in addition to the regular mail courses.

Number 3, when the student signs up for either home study or residential schools we immediately send to him about a 15 page questionnaire which he must check off before we can register him, which says he understands what he is getting into, what it takes, and I have them here if you would like to see them.

Mr. STEIGER. The other thing that has arisen is the situation in which the school would, as a part of its material, provide a guaranteed student loan application to indicate that it was eligible and that it could grant the loan of up to $1,500 to the student for the cost of the loan.

Do you do that type of thing?

Mr. DOHERTY. No, we don't. We did do it at one time.

Mrs. GREEN. The time of the gentleman has expired. Congressman Daniels?

Mr. DANIELS. How long has Bell & Howell been engaged in the operation of these technical schools?

Mr. BOWES. 1967. I have only been there 2 years

Mr. DANIELS. Can you tell us what your drop out rate has been?

Mr. BOWES. At the resident schools, it is now running 50 percent. In the home study 2 years ago it was 15 percent, and it is now 25.

Mr. DANIELS. After your student graduates——

Mr. BOWES. That is retention, incidentally, not drop out.

Mr. DANIELS. Do you offer him a certificate of graduation from your school?

Mr. BOWES. On the six quarters course it is a certificate, and on the nine quarter course and 12 quarter course it is a degree.

Mr. DANIELS. What periods do they cover?

Mr. BOWES. Six quarters, a year and a half.

Nine quarters is 2 years and a quarter. They go four quarters a year.

Mr. DANIELS. What is your experience with regard to job placement on your graduate students?

Mr. BOWES. I have to be very careful of this, because some students don't discuss job placement. Out of the students who have asked for help, and we have a full-time placement organization, it is very close to 90 percent.

Mr. DANIELS. With regard to your students, are they required to purchase any special clothing?

Mr. BOWES. No.

Mr. DANIELS. So the only expense that would be involved would be their tuition and books?

Mr. BOWES. To us, yes.

Mr. DANIELS. That would approximate $2,800 a year?

Mr. BOWES. At the moment. The $1,824 and $120 for books.

Mr. DANIELS. So over a period of 3 years there would be a cost of $6,000 to the student.

Mr. BOWES. Yes, and he supports himself other than that.

Mr. DANIELS. Can you tell us whether these students are married or single, or do you have a combination?

Mr. BOWES. I would say in residence, it is mostly single. The veteran part of it is somewhat married couples. In the home study, it is mostly married.

Mr. DOHERTY. That is right.

Mr. DANIELS. Thank you.

Mrs. GREEN. Thank you very much, Mr. Bowes, Mr. Doherty. We appreciate your testimony.

We will be in further communications.

(Whereupon, at 12:20 p.m. The Special Subcommittee on Education adjourned subject to call of the Chair.)

HIGHER EDUCATION AMENDMENTS OF 1971

WEDNESDAY, APRIL 21, 1971

House of Representatives,
Special Subcommittee on Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 2:40 p.m., pursuant to call in room 2261, Rayburn Office Building, Representative John Brademas, presiding.

Present: Representatives Brademas, Scheuer, Dellenback, and Ruth.

Staff members present: Harry Hogan, subcommittee counsel; William Gaul, associate general counsel; and Robert Andringa, minority legislative associate.

Mr. Brademas. The subcommittee will come to order for the purpose of further consideration of several bills pertaining to higher education. The Chair wishes to apologize to the witnesses for the delay, but there have been, as I am sure is evident, more quorum calls than is customarily the case in this matter.

We hope you will understand. Please proceed, President Branson. We are very glad to see you and your colleagues here.

STATEMENT OF HERMAN R. BRANSON, PRESIDENT, LINCOLN UNIVERSITY, PA., ACCOMPANIED BY LEWIS C. DOWDY, PRESIDENT, NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY; DR. ELIAS BLAKE, PRESIDENT, INSTITUTE FOR SERVICES TO EDUCATION; AND MILES FISHER, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Mr. Branson. Thank you, Mr. Brademas. I am Herman R. Branson, president of Lincoln University, Pa. This afternoon I am appearing as president of the National Association For Equal Opportunity in Higher Education. This organization has as members, 85 of the 111 predominantly Negro colleges or black colleges of America.

These 111 colleges enroll some 180,000 students. Dr. Dowdy, Dr. Blake, Mr. Fisher, and myself wish to express our deep appreciation, Mr. Brademas, for the many excellent features of H.R. 7248.

We refer explicitly to such provisions, among others, as the raising of the funding level of title III to $120 million per year, the removal of the stipulation barring professors from predominantly black colleges to serve as professors emeritus, the encouraging of self-help, the extension of aid to proprietary schools, the raising of the ceiling on loans, the title VIII section in institutional aid, and above all perhaps, the removal of the matching requirements in the EOG, work-study, and NDSL programs.

Parenthetically, we urge that the matching provision of all programs be relaxed or eliminated for our schools. We are most grateful, Mr. Brademas, for the opportunity to place before your committee some of the expressed concerns of our institutions.

In doing that, we have arranged our material in the following manner: One, we should like to review the financial plight of black students in college. Two, our concern for insuring that Federal aid will go to the colleges enrolling students from low-income families.

Three, insuring that students from low-income families can continue into graduate and professional schools. Fourth, modification of the institutional aid formula of title VIII of H.R. 7248 to aid the colleges enrolling large numbers of students from low-income families.

Fifth, urging the committee to pay expressed attention to the unique difficulties of our schools. Sixth and finally, the presentation of seven appendixes going into more detail on some of the questions raised.

At this point, sir, may I present my good friend and honored colleague, Dr. Lewis Dowdy, for a general statement on our schools.

Mr. Dowdy. My name is Lewis C. Dowdy, and I am president of North Carolina Agricultural and Technical State University. I am a member of the Board of Directors of the National Association for Equal Opportunity in Higher Education.

I am also past chairman of the advisory committee to the Office for the Advancement of Public Negro Colleges. This office represents 33 public senior institutions representing about 30 percent of all black students in higher education today and about 60 percent of all students in predominantly Negro colleges.

These 33 institutions, like other predominantly Negro colleges, have special significance because of their traditional and continuing role in educating minority group students for full and productive participation in American life.

During the past century, these colleges have served as "opportunity colleges" providing education otherwise unavailable to thousands of able and deserving youths. Today the alumni of these colleges serve in a wide variety of responsible positions throughout the Nation.

The achievements of these colleges are especially remarkable because they have been carried out despite chronic shortages of funds and other resources. These colleges still do not receive the kind of public and private attention and support that is due them in terms of their production and human resources. It is hoped that the recognition of their important role in American education will develop broader and more substantive support for their activities.

Today, the opportunity and the need for a major advance through higher education for black youth is great. If these opportunities are not provided, this untapped human potential can become society's greatest problem. The American ideal of access to equality of higher educational opportunity for all depends for its realization on making higher education a reality for the culturally and economically disadvantaged.

It is imperative that serious attention be given by the Federal Government to a total look at the higher education scene with the hope that its ideal of access to equal educational opportunity becomes a reality rather than remaining a dream.

If greater access to higher education is to become a reality, measures must be designed to enable institutions to conserve and increase resources so that the charges to students may be kept at a realistic level and still provide quality education to greater numbers.

The average parental income of students at the public colleges is $4,500, less than half that of other college students. Therefore, shifting more and more of the cost of higher education to the student and his family is not the solution.

A major need at this point in the history of these institutions is for institutional support at the Federal level sufficient to overcome the years of inadequate support. This support must not be viewed apart from financial aid to students and for support to provide additional facilities, as these are aspects of the entire equation.

Institutional support would be unrestricted and used where needed by the institutions. The amount should be adequate to meet the need and cope with the impending crises at these institutions.

The educating of large numbers of low-income youth is a more difficult educational job. Adequate support therefore is necessary for these students to channel their motivation and aspiration toward success producing goals.

Though graduating from accredited secondary schools, many students have been underexposed to the quality of life that would enable them to get the maximum rewards from the educational experience.

Programs have to be structured to meet these pressing needs if sizeable numbers of these students are going to enter the mainstream of American life. These students should not be penalized for institutional failures.

To say that students who graduated from accredited high schools in good standing are not qualified for college is to make access to equal educational opportunity a hollow slogan. These colleges have served these students for over a century.

America and its black community would be woefully lacking if such institutions had not existed. The tremendous contributions made by these institutions in spite of inadequate budgets and deprived students is proof that they have been and still will be in the foreseeable future the major force for integration and the gate to greater opportunities for black people to enter all levels of American life.

They have proved that people from disadvantaged backgrounds can be educated to a level where they can make outstanding citizens at high-level positions in professional life, government, industry, and business.

Adequate funding is needed if these institutions are to catch up and realize their potential. Therefore, these institutions need direct support by a formula which designates funds for these institutions, or by grating under a special program, special appropriations for a given number of years.

Any formula for institutional support should be based on differences in cost of various levels of education and the variety of functions provided by institutions of higher education. The formula should be based in part on institutional efforts with minority and disadvantaged groups.

If there is a commitment to equalizing opportunity and attainment then that commitment ought to extend directly into any institutions which are making a major effort in producing large numbers of college graduates out of this population.

This formula will in part, insure that colleges that carry a heavy part of the burden will be able to continue their job of producing graduates. The idea should be to help the schools that actually need help rather than to make the rich get richer.

Institutional support would aid the financial plight of these schools, reduce student-teacher ratio, provide additional administrative personnel, provide equipment needed to improve the instructional program, increase library holdings, provide adequate supplies and materials to support the instructional program, expand the curriculum offerings, provide more counseling services, thereby reducing attrition and increasing graduates, provide tutorial programs, and foster the move toward equal educational access, attainment, and future opportunities.

I conclude with a statement on that segment of the predominantly Negro colleges that I know best, taken from a publication: "There is no question that the future of predominantly Negro public colleges lies beyond serving only one race."

All of the traditionally Negro public institutions now enroll white students and have white faculty members. A few, in fact, have become predominantly white. About 75 percent of the students at West Virginia State College are white.

Approximately half of the enrollment at Lincoln University in Missouri is white; more than a third of the commuter enrollment at Bowie State College is white; about 43 percent of the total enrollment at Kentucky State College is white; and at Alabama A. & M. State University, approximately 16 percent of the enrollment, principally at the graduate level, is white.

Like other public colleges and universities, public Negro colleges see their principal future role as one of providing low-cost, high-quality education to students of all races. In serving a broader constituency, these institutions stand ready to assume specific new roles as a viable sector and equal partner in the total structure of higher education in America.

At the same time, they remain committed to their historic objective of serving as opportunity colleges providing a chance for higher education to many able and deserving students. As these institutions face a future of rendering even broader service to the Nation, they do so with the expectation of receiving fuller financial support in order to carry out their vital educational mission.

And in closing, I would like to make one other statement about student support. It is conceivable, if students must support their education through loans, that two students could get married and face a debt of $20,000 before they even thought about buying a diaper or baby crib.

If we think we have national frustration now, then I think we would have universal, simultaneous suicide.

Mr. BRANSON. Thank you, Dr. Dowdy. Following on that perceptive statement, Mr. Brademas, may I present some data on item 1. One, the financial plight of black students now in college. If you will look at the end of this document you will find two tables.

The first is a study made by the American Council on Education of 169,190 college freshmen in the fall of 1969 in 270 institutions. These data show that approximately 20 percent of the Negro students were from families with incomes less than $4,000 per year.

The only group near that were the students in nonsectarian coeducational colleges where the number was 6.2 percent. Thus, percentagewise, there were three times as many poor blacks as the poorest of any other group.

If you will look once more among the predominantly Negro colleges, the numbers are 19.9, 19.0, and 19.4. Mr. Brademas, it is clear that there are many other unfortunate conclusions in this table which we won't dwell on.

The next table, table 2, shows that poor families truly sacrifice to aid that child in college. This table was not one I have seen before but that I hoped for. It was given to the members of the committee on student economics of the college entrance examination board at a meeting earlier this month.

If you will look at this you will see that up in the upper left-hand corner under "Number of Dependents in Family" namely, three, which would be father, mother, and one child, that a family with an income of less than $5,000 really pinched and spent on the average of $811 toward the support of that child in college.

If you read across there, you will see the amazing statistic that a family of six, that is, one with four children and one in college was able, somehow, to take from less than $5,000, $150 toward the support of that brother or sister who was in college.

Even more amazing is this fact that I said before. Thus we are led inexorably to our next item. Two: We urge that whatever legislation is adopted that the guidelines be so drawn that the funds will go to the neediest students.

To insure this, we urge that the Commissioner give priority to those schools enrolling the largest percentage of students from low-income families in the allocation of student aid funds. The guidelines above should be clear and unequivocal.

But even with sufficient aid, we must concern ourselves with the type of aid. The National Association for Equal Opportunity in Higher Education was so concerned about the danger of large loans especially that it adopted a policy statement bearing on this.

This is our item 3 and it is a separate document that follows this with a title, "A Statement Which Was Approved by the National Association for Equal Opportunity in Higher Education at its Chicago Meeting on March 16, 1971." I should like to interpolate that with your permission.

Mr. BRADEMAS. That would be fine, Dr. Branson. Will you allow me to ask you with respect to your statement that when you urge that whatever legislation is adopted, the guidelines be so drawn that the funds would go to the neediest students, are you talking about institutional aid or about student aid?

Mr. BRANSON. We are thinking here of student aid. Institutional aid would be taken up later on. We have a recommendation on institutional aid, too, for these students.

This is a statement, voted on in Chicago on March 16, 1971, and adopted unanimously by the National Association for Equal Opportunity in Higher Education.

(The material referred to follows:)

STATEMENT OF HERMAN R. BRANSON, PRESIDENT, LINCOLN UNIVERSITY, PA., ON BEHALF OF THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Madame Chairman and members of the committee: I am Herman R. Branson, President of Lincoln University (Pa.). But this afternoon I am appearing as President of the National Association For Equal Opportunity In Higher Education. This organization has as members 85 of the 111 predominantly Negro Colleges of America. These 111 colleges enroll some 180,000 students.

Dr. Dowdy and I wish to express our deep appreciation, Madame Chairman, for the many excellent features of HR 7248. We refer explicitly to such provisions among others as the raising of the funding level of Title III to $120 million per year, the removal of the stipulation barring professors from predominantly black colleges to serve as professor emeritus, the encouraging of self-help, the extension of aid to proprietary schools, the raising of the ceiling on loans, the Title VIII section on institutional aid, and above all the removal of the matching requirements in the EOG, Work-Study and NDSL programs. Parenthetically we urge that the matching provision of all programs be relaxed or eliminated for our schools.

We are most grateful, Madame Chairman, for the opportunity to place before your committee some of the expressed concerns of our institutions. In doing that we have arranged our material in the following manner:

1. The financial plight of black students in college.
2. The insuring that federal aid will go to the colleges enrolling students from low income families.
3. Insuring that students from low income families can continue into graduate and professional schools.
4. Modification of the institutional aid formula of Title VIII of HR 7248 to aid the colleges enrolling large numbers of students from low income families.
5. Urging the committee to pay expressed attention to the unique difficulties of our schools.
6. The presentation of seven appendices going into more detail on some of the questions raised.

At this point, Madame Chairman, may I present my good friend and honored colleague, Dr. Lewis C. Dowdy, for a statement on our schools.

STATEMENT OF LEWIS C. DOWDY, PRESIDENT, NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY, GREENSBORO, N.C., ON BEHALF OF THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Madame Chairman and members of the committee: My name is Lewis C. Dowdy, and I am President of North Carolina Agricultural and Technical State University. I am a member of the Board of Directors of the National Association for Equal Opportunity in Higher Education. I am also Chairman of the Advisory Committee to the Office for the Advancement of Public Negro Colleges. This office represents thirty-three public senior institutions representing about thirty percent of all black students in higher education today and about sixty percent of all students in predominantly Negro Colleges. These thirty-three institutions, like the other predominantly Negro Colleges, have special significance because of their traditional and continuing role in educating minority group students for full and productive participation in American life.

During the past century, these colleges have served as "opportunity colleges" providing education otherwise unavailable to thousands of able and deserving youths. Today their alumni serve in a wide variety of responsible positions throughout the nation.

The achievements of these colleges are especially remarkable because they have been carried out despite chronic shortages of funds and other resources. These colleges still do not receive the kind of public and private attention and support that is due them in terms of their production of human resources. It is hoped that the recognition of their important role in American Education will develop broader and more substantive support for their activities.

Today, the opportunity and the need for a major advance through higher education for black youth is great. If these opportunities are not provided, this untapped human potential can become societys' greatest problem. The American Ideal of access to equality of opportunity for all depends for its realization on making higher education a reality for the culturally and economically disadvantaged. It is imperative that serious attention be given by the Federal Government to a total look at the higher education scene with the hope that its ideal of access to equal educational opportunity become a reality rather than remain a dream.

If greater access to higher education is to become a reality, measures must be designed to enable institutions to conserve and increase resources so that the charges to students may be kept at a realistic level and still provide quality education to greater numbers. The average parental income of students at the public colleges is under $4,500—less than half that of other college students. Therefore, shifting more and more of the cost of higher education to the student and his family is not the solution.

A major need at this point in the history of these institutions is for institutional support at the federal level sufficient to overcome the years of inadequate support. This support must not be viewed apart from financial aid to students and for support to provide additional facilities, as these are aspects of the equation. Institutional support should be unrestricted and used where needed by the institutions. The amount should be adequate to meet the need and cope with the impending crises at these institutions.

The educating of large numbers of low-income youth is a more difficult educational job. Adequate support therefore is necessary for these students to channel their motivation and aspiration toward success producing goals. Though graduating from accredited secondary schools, many students have been underexposed to the quality of life that enables one to get the maximum rewards from the educational experience. Programs have to be structured to meet these pressing needs if sizeable numbers of these students are going to enter the mainstream.

These students should not be penalized for institutional failures. To say that students who graduated from accredited high schools in good standing are not "qualified" for college is to make access to equal educational opportunities a hollow slogan. These colleges have served these students for over a century.

America and its black community would be woefully lacking if such institutions had not existed.

The tremendous contributions made by these institutions in spite of inadequate budgets and deprived students is proof that they have been and still will be in the foreseeable future the major force for integration and the gate to greater opportunities for black people to enter all levels of American life. They have proved that people from disadvantaged backgrounds can be educated to a level where they can make outstanding citizens at high level positions in professional life, government, industry, and business.

Adequate funding is needed if these institutions are to catch up and realize their potential. Therefore, these institutions need direct support by a formula which designates funds for these institutions, or by granting under a special program, special appropriations for a given number of years.

Any formula for institutional support should be based on differences in cost of various levels of education and the variety of functions provided by institutions of higher education. The formula should be based in part on institutional efforts with minority and disadvantaged groups. If there is a commitment to equalizing opportunity and attainment, then that commitment ought to extend directly into any institutions which are making a major effort in producing large numbers of college graduates out of this population.

This formula will in part insure that colleges that carry a heavy part of the burden will be able to continue their job of producing graduates. The idea should be to help the schools that actually need help rather than to make the rich get richer.

Institutional support would aid the financial plight of these schools, reduce student-teacher ratio, provide additional administrative personnel, provide equipment needed to improve the instructional program, increase library holdings, provide adequate supplies and materials to support the instructional program, expand the curriculum offerings, provide more counseling services thereby reducing attrition and increasing graduates, provide tutorial programs, and foster the move toward equal educational access, attainment and future opportunities.

I conclude with a statement on that segment of the predominantly Negro Colleges that I know best, taken from a recent publication.

"There is no question that the future of predominantly Negro public colleges lies beyond serving only one race. All of the traditionally Negro public institutions now enroll white students and have white faculty members. A few, in fact, have become predominantly white. About 75 percent of the students at West Virginia State College are white. Approximately half of the enrollment at Lincoln University in Missouri is white; more than a third of the commuter enrollment at Bowie State College is white. About 43 percent of the total enrollment at Kentucky State College is white and at Alabama A & M State University approximately 16 percent of the enrollment, principally at the graduate level is white.

Like other public colleges and universities, public Negro colleges see their principal future role as one of providing low cost high quality education to students of all races. In serving a broader constituency these institutions stand ready to assume specific new roles as a viable sector and equal partner in the total structure of higher education in America. At the same time, they remain committed to their historic objective of serving as "opportunity colleges" providing a chance for higher education to many able and deserving students."

As these institutions face a future of rendering even broader service to the nation, they do so with the expectation of receiving fuller financial support in order to carry out their vital educational mission.

Thank you Dr. Dowdy. Following on that perceptive statement, Madame Chairman, may I present some data on Item I.

1. The financial plight of black students now in college.

Here is a table an American Council on Education study of 169,190 college freshmen in the fall of 1969 in 270 institutions. These data shows that approximately 20% of the Negro students were from families with incomes less than $4,000 per year. The only group near that were the students in nonsectarial coeducational colleges where the number was 6.2%. Thus percentage wise there were 3 times as many poor blacks as the poorest of any other group. Madame Chairman, it is clear that there are many other unfortunate conclusions in this table.

The next table, Table 2 shows that poor families truly sacrifice to aid that child in college. This table was given to members of the committee on Student Economics of the College Entrance Examination Board earlier this month. Please see that a family with income less than $5,000 per year scrapped together on the average $811 to aid that child in college. Even more amazing is the fact that a family with four children with one in college found $750 in family aid for that child.

Thus we are lead inexorably to our next item.

2. We urge that whatever legislation is adopted that the guidelines be so drawn that the funds will go to the neediest students. To insure this we urge that the Commissioner give priority to those schools enrolling the largest percentage of students from low income families in the allocation of student aid funds. The guidelines above should be clear and unequivocal.

But even with sufficient aid, we must concern ourselves with the type of aid. The National Association for Equal Opportunity in Higher Education was so concerned about the danger of loans that it adopted a policy statement bearing on this. This is our item 3.

It is clear, moreover, that even with adequate aid for students some type of institutional aid is essential for our schools. Thus our item 4, Madame Chairman, is institutional aid:

4. We find it difficult to argue, however, that all colleges and universities have the same financial problems. At least they are not of the same intensity or urgency. We respectfully urge, therefore, that in addition to the general support formula of HR 7248 that additional institutional aid be granted those schools enrolling large numbers of students from low income families beginning with those where 10% of the student body are from families with less than $4,000 and progressing according to a table such as the following:

10% of the student body from families less than $4,000; $500 per such student.

20% of the student body from families less than $4,000; $750 per such student.

40% and over of the student body from families less than $4,000; $1,000 per such student.

To accommodate these grants within the ceiling for the anticipated costs of HR 7248 formula, the amounts listed there could be cut to a half or three-fourths of the amounts given. Thus using one half, Harvard would receive $1,315,050 while Alabama A & M having 2,000 students with 40%, say, from families under $4,000 per year would receive $951,300. That is while the HR 7248 formula gives:

Harvard, $2,630,100.
Alabama A & M, $302,000.

The revised formula would give:

Harvard, $1,315,050.
Alabama A & M, $951,300.

Fortunately, for the life of HR 7248, the next five years, such a drastic reduction as 50% would not be necessary. We need to reduce the amount by no more than 10% to keep the overall total about the same. Using the same two schools as ahead and reducing by 10% with the additional amount for the large number of students from low income families, we have:

Harvard, $2,367,090.
Alabama A & M, $1,072,340

5. In all legal provisions, Madame Chairman, we find that we must ask that this be examined carefully to see that seemingly harmless provisions do not injure us. We earnestly solicit your committees' paying especial attention to the plight of these colleges. We hope that you will incorporate in your legislative answers to the problems which have been emphasized in two relevant newspapers articles on our schools. We should like to make these articles part of our presentation today. They are the New York Times article of April 18, 1971 and the Christian Science Monitor article of March 29, 1971.

6. We have prepared, Madame Chairman, seven appendices on some of the other questions which have been raised on the educational legislation. We should like to pass them on to your staff.

Finally, Madame Chairman, we are most appreciative of this opportunity to appear before you. Dr. Dowdy, Dr. Blake, Mr. Fisher and I shall be pleased to try to answer any questions you may have.

TABLE 1.—AMERICAN COUNCIL ON EDUCATION, OFFICE OF RESEARCH, FALL 1969, WEIGHTED NATIONAL NORMS

	Colleges for men		Colleges for women		Coeducational colleges						Predominantly Negro colleges [1]		
					Nonsectarian			Catholic					
	Non-sectarian	Catholic	Non-sectarian	Catholic	Men	Women	Total	Men	Women	Total	Men	Women	Total
Estimated parental income (2): Less than $4,000	2.8	3.6	3.9	5.9	6.0	6.4	6.2	2.6	3.5	3.0	19.9	19.0	19.4

TABLE 2.—REPORTED LEVELS OF FAMILY SUPPORT FOR COLLEGE STUDENTS[1] FOR 1 CHILD IN COLLEGE FAMILIES (1966-67)

Family income	Number of dependents in family				
	3	4	5	6	All families
Less than $5,000	$811	$170	$730	$750	$677
$5,000 to $7,000	804	752	500	576	686
$7,001 to $9,000	792	740	607	712	705
$9,001 to $11,000	1,058	855	824	678	886
$11,001 to $13,000	1,187	1,088	1,022	769	895
$13,001 to $15,000	1,237	1,196	1,188	969	1,168
$15,001 to $17,000	1,242	1,186	1,443	850	1,133
$17,001 to $19,000	1,463	1,375	1,397	1,284	1,408
$19,001 to $21,000	1,392	1,478	1,425	1,250	1,457
$21,001 to $29,000	1,702	1,589	1,586	1,650	1,651
Over $29,000	1,771	1,845	1,772	1,826	1,775
All income levels	1,113	1,067	1,031	925	1,019

[1] Computed from parent reported support for 1st year college enrollees in the SCOPE sample in academic year 1966-67. Assuming that all families have 2 parents, the number of dependents minus 2 is the number of children. The data includes support for both full-time and part-time students. Dependents are those family members who receive at least one-half of their support from family sources.

Mr. BRADEMAS. I wonder if you will allow me to interrupt you. Off the record.

(Off the record.)

Mr. BRANSON. What we were worried about here sir, was the fact that poor students might complete college with so much debt, they could not think of continuing into graduate school, law school or medical school.

We were particularly concerned about the professions because, as you know, of the 300,000 or more physicians in the United States, roughly 5,000 or 6,000 are black. It is only roughly 2 percent, but it should be 12 percent.

We therefore, as you know, have a major effort going on to get more to apply to medical schools. But this year, for instance, we find that practically all, 90 percent of those who are applying, need very, very serious financial aid.

If they were to finish college, therefore, with large debts they could not be expected to assume even larger debts to go ahead. That is essentially the gist of this paper and I think you will appreciate that because I have heard your own remarks on this before.

It is clear, moreover, that even with adequate aid for students, some type of institutional aid is essential for our schools. Thus our item 4, Mr. Chairman, is institutional aid.

We find it difficult to argue, however, that all colleges and universities have the same financial problems. At least they are not of the same intensity or urgency. We respectfully urge, therefore, that in addition to the general support formula of H.R. 7248, that additional institutional aid be granted those schools enrolling large numbers of students from low-income families, beginning with those where 10 percent of the student body are from families with less than $4,000 a year, and progressing according to a table such as the following, and these are merely illustrative.

They may not be final. If a college has 10 percent of the student body from families of less than $4,000 per year income, then there would be a Federal grant of $500 per such student. If 20 percent of the student body were from families with less than $4,000, that would be $750 per such student.

If 40 percent or over were from families with less than $4,000, there would be a grant of $1,000 per student. To accommodate these grants within the ceiling for the anticipated costs of the H.R. 7248 formula, and I assume that you have seen the document given by the American Council, which says that this would amount to something like $864 million per year as given under title VIII, the amounts listed there could be cut in half, or three-fourths of the amounts given.

Thus, using one-half, Harvard would receive $1,315,050 while Alabama A. & M., having 2,000 students with 40 percent, say from families under $4,000 per year, would receive $951,300. That is while the H.R. 7248 formula gives Harvard $2,630,100 and Alabama A. & M. $302,000.

The revised formula, in this fashion, would give Harvard $1,315,050 and Alabama A. & M. $951,300. Fortunately, for the life of H.R. 7248, which is asked for 5 years, such a drastic reduction as 50 percent would not be necessary.

We say this because we do not believe that we would get that many low-income students into college within this 5-year period to really demand that type of reduction of $400 million, for example.

We need reduce the amount, present calculations show, by no more than 10 percent to keep the overall total about the same. Using the same two schools as ahead and reducing by 10 percent with the additional amount for the large number of students from low-income families, we have then that Harvard would receive $2,367,090 and Alabama A. & M. would receive $1,072,340.

Item 5: In all legal provisions, Mr. Chairman, we find that we must ask that these things be examined carefully to see that seemingly harmless provisions do not injure us. By us, of course we mean the predominantly black colleges.

We earnestly solicit your committee's paying especial attention to the plight of these colleges. We hope that you will incorporate in your legislative answers to the problems which have been emphasized in two relevant newspaper articles on our schools. We should like to make these articles part of our presentation today.

They are the New York Times article of April 18, 1971, just last Sunday, where the headline is "Negro Colleges Suffering Under U.S. Aid Policy." There is a copy of that, sir, in your folder.

The second article is from the Christian Science Monitor for March 29, 1971. I apologize for the cryptic nature, but they were attempting to sell newspapers. They said, "Wanted Green Power for Black Campuses," but the content really is not that inflamatory.

Finally, we have prepared, Mr. Brademas, seven appendixes on some of the other questions which have been raised on the educational legislation. We should like to pass them on to your staff.

Without going into great detail, they are before you there; they have titles such as "Context for Higher Education Legislation," "Institutional Support," "Student Support," " Higher Education Title III," "National Foundation and Other Proposals."

(The articles referred to follow:)

A STATEMENT WHICH WAS APPROVED BY THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION AT ITS CHICAGO MEETING

The National Association For Equal Opportunity In Higher Education recognizes the need to have specific legislation with concrete provisions to insure that equality of opportunity in higher education is extended to young people from low income families. We, therefore, understand and endorse in general the legislation proposed by the President. And most especially, we applaud the principal enunciated in his education message to Congress. We believe, however, that a modification, albeit slight, in the specific provisions would be of inestimable aid in meeting certain recognized national needs.

The modification we propose rests upon two factors. In the first instance, the graduates of the predominantly black colleges and universities have expected life-time incomes considerably less than graduates of other schools. Hence, we must be cautious about how much debt we impose upon them in their gaining the skills needed by our society. Our graduates enter those critical professions requiring college training but paying the lowest salaries. Yet, the most important factor is the second, which is the recognized need to encourage significantly more of these young people to continue in professional and graduate school after graduation from college. We believe that the greatest single deterrent to more of these young people continuing would be a large debt looming over them incurred in college. An able young person with six to ten thousand dollars of debt acquired in college will not be enthusiastic about acquiring an additional ten to twenty thousand dollars worth of debt for Law School or Medical School. And a young couple with 8 to 20 thousand dollars worth of collective debt will be even less prone to plunge deeper to achieve a remote goal.

The specific recommendation of the Association (NAFEO) is, then, that the first category of federal aid—Equal Opportunity Grants/Work-Study—be increased from a maximum of $1,000 to $2,000 for at least 10% of the students enrolled in the predominantly black colleges and universities. Accepting a figure of 200,000 net students, our recommendation requests in essence an addition of $20,000,000 to this category for these schools. We urge, further, that the amount be the focus, for we want to insure that at least this number of students will be aided.

I

With this number, we hope that at least 5,000 able students would graduate from these schools with little or no debt. We say able students since in addition to family income, the school would have qualitative criteria to make certain that students receiving this additional support would have a high likelihood of continuing into graduate or professional school.

Inasmuch as expense in the public colleges in general are less than those in the private, we estimate that these good students would graduate from the public colleges with no debt. We think that no more money should be granted than that necessary to meet the charges for tuition, fees, room and board as assessed and collected by the colleges. By the same arithmetic, the students in certain of the private predominantly black colleges who have no family or personal resources would acquire some debt. We estimate that it should be less than $3,000 for the student with most of the debt in the subsidized 3% interest category. We think that such a debt would not be onerous.

II

These funds ($20,000,000) would be allocated to these approximately 111 schools following their presentation of data on family income, expected number of students with such family income who have the other prerequisite qualities, and other data deemed appropriate.

The specific amount of $20,000,000 has been derived by multiplying the number 20,000 (which is 10% of the total) by $1,000. We submit that this amount represents a reasonable maximum, but we urge that it be considered as the sum averaged over all students according to our suggested table. To be consistent, we submit that the Aid Eligibility Table be revised in such a manner as follows, in order to preserve the commendable intent of the legislation:

AID ELIGIBILITY

Adjusted family income	Family contribution	EOG/ work-study
0 to $3,500	0	$2,000
$4,500	$220	1,780
$5,500	430	1,570
$6,500	640	1,360
$7,500	850	1,150
$8,500	1,050	[1] 950
$9,500	1,250	[1] 750
$10,000 and above		[1] 600

[1] Work-study only.

APPENDIX I.—CONTEXT FOR HIGHER EDUCATION LEGISLATION

CONTEXT FOR HIGHER EDUCATION LEGISLATION

There is a financial crisis in Higher Education in general and in black colleges in particular. The cost of every conceivable type of service is jumping dramatically. The Labor Department has been reporting uninterrupted rises in the cost of services every month since September, 1962. One must take a holistic approach if adequate solutions are to be provided for the various problems. Therefore, consideration of several key factors in the proposed higher education legislation is in order.

There are many factors contributing to the present state of affairs. Enrollments are increasing and are anticipated to increase even more in the next few years. To accommodate these enrollments, adequate facilities, along with additional personnel—administrative, instructive, and supportive, program support and institutional support will be needed.

What is to be written in this bill will determine the principle of hope that might be fulfilled by future minorities in this society. This principle of hope will be realized in the inclusion of dollar figures in the structure of the legislation. Without money earmarked and designated to specifics the extent of hope will be diminished.

The interfacing of all areas of the Higher Education situation is necessary if there is the desire to work through the present crises in our society as reflected in our institutions.

While in American society there is at work a move to "downplay" the degreed form of credentialization, this cannot be the same for the minorities in this country. Equal access to Blacks and other minorities will only be possible through the obtaining of academic degrees, for on this, rest the mobility that will allow them to enter and participate in the mainstream of American life.

If there are to be leaders to help our people there must be institutions that see that they are able to obtain the necessary credentials; otherwise by 1980 we will be a group of followers with no leadership. This would indeed be catastrophic.

Who teaches the students will determine what they are taught. Witness the displaced teachers, principals, and other administrators in the south. Witness the possibility of no NDEA Graduate fellowship, no graduate work-study, and limited financial support to environments that have been friendly to such populations.

The principal avenue of entry to the opportunity system in this country and to community leadership and service as well, has been that of higher education.

The historically predominantly black colleges represent an existing mechanism that can be improved and used to intensify the positive efforts to equalize opportunity. Operational programs for these colleges today are for all of higher education and our society on tomorrow. These colleges have been and still are the major force for the mobility of black youth into all levels of American Society and should be maintained and improved in order to continue their unparalleled record of achievement.

Great care should be taken not to identify junior colleges as the major approach to "post-secondary" education of black youth under the career education concept. Disproportionate numbers of black youth should not enroll in junior colleges versus four year colleges. The record of articulation to the four year colleges from junior colleges is not very good for these students. The same proportion of black youth should be enrolling in four year *degree granting* institutions as white youth.

As we wrestle with the economic trends, we are admonished: "Let this not be a 'pyrrhic' cutback whereby we save for the present and lose the future through a denial of the options to our contemporary society."

Issues to be addressed are: Institutional support, Student support, Title III of the Higher Education Act dealing with developing institutions, academic facilities, the National Foundation, and other proposals. It is hoped that these issues will address fully the impact of the crises existing in higher education.

APPENDIX II.—INSTITUTIONAL SUPPORT

Institutional support is a necessary factor in the continued efforts of these institutions. Direct federal aid should be given to these institutions based on need. This support should be unrestricted and used where needed by the institutions. The amount should be adequate to meet the need and cope with the impending crises at these institutions.

The general institution support proposal is one of the more encouraging proposals. Missing, however, is a formula which takes into account the greater needs of institutions enrolling and graduating a majority of minority group or low-income students.

Institutional support would aid the financial plight of these schools, reduce the attrition, increase graduates through providing a special effort, expand the curriculum offerings and foster the movement toward equal educational access, attainment, and future opportunities.

The educating of large numbers of low-income youth is a more difficult educational job. The teachers need smaller classes to reach the students and better salaries to retain the teachers. Counseling services in these situations must be very good as academic pressures, personal pressures, and financial pressures are great on such a population of students. Adequate support therefore is necessary for these students to channel their motivation and aspiration toward success producing goals. Though graduated from accredited secondary schools many students have been underexposed to the quality of life that enables one to get the maximum rewards from the educational experience. Programs have to be structured to meet these pressing needs if sizeable numbers of these students are going to enter the mainstream.

Students should not be penalized for institutional failures. To say that students who graduated from accredited high schools in good standing are not "qualified" for college is to make access to equal educational opportunity a hollow slogan. These colleges have performed such a job for over a century. America and its black community would be woefully lacking if such institutions had not existed.

Any formula for institutional support should be based on differences in cost of various levels of education and the variety of functions provided by institutions of higher education. The formula should be based in part on institutional efforts with minority and disadvantaged groups. If there is a commitment to equalizing opportunity and attainment, then that commitment ought to extend directly into any institutions which are making a major effort in producing large numbers of college graduates out of this population.

This formula will in part insure that colleges that carry a heavy part of the burden will be able to continue their job of producing graduates. Someone may say that this is not fair to the large degree granting institutions, but the research capabilities of these schools with the generous overhead cost will more than offset such an arrangement. The idea should be to help the schools that actually need help rather than to make the rich get richer. In some instances this would encourage the states to do more at that level for their own.

APPENDIX III.—STUDENT SUPPORT

Student support is necessary if access to higher education is to provide for all students in America. The President's plea is that no qualified student who wants to go to college should be barred by lack of money.

We are in agreement with the principle that: federal funds go first, and in the largest amounts, to the neediest students in order to place them on an equal footing with students from higher income families.

It must be remembered that students from low-income families, on the whole, have very limited access to other sources of financial aid than other groups within our society. This group is therefore greatly dependant on Federal financial assistance. Guaranteed and other loans are less likely to be obtained because they have less if any collateral and their families often do not have accounts with local banks.

Institutions of higher learning serving predominantly disadvantaged populations tend to have smaller endowments and scholarship resources and thus are unable to provide their own students with significant support. Those schools located in small communities have difficulty in finding students off-campus employment.

Though working one's way through college is a part of the American tradition, scholastic demands coming out of the current knowledge explosion make it impossible for a poorly prepared freshman to work part-time and then meet and keep academic standards. Parental support can not be counted on in many cases. It is possible that the current pattern of financial aids dependence on work-study is a contributing factor to poor academic performance in disadvantaged populations as opposed to helping them maintain themselves in college.

In priorities we would favor the mix of financial support as consisting of opportunity grants, work-study and National Defense Student Loans in that order with emphasis on grants to curtail the necessity of incuring large debts as students launch their earning careers. With this in mind, we are concerned that E.O.G. and Work-Study funds be given prior consideration to these students and N.D.S.L. be used to offset the difference beyond these base sums of support.

National guidelines should have certain standardized elements with specifications for discretionary options. This would guarantee that equality of access to opportunity will be preserved in principle as well as in fact in the respective situations.

All funds in the respective programs should be increased to accomodate the expanded enrollments at these institutions over the next five years so that *no* student will be turned away and turned *off* because of a lack of the availability of financial options for the educational experience.

The shift to subsidized loans as the basic support mechanism for low-income youth may in the process of equalizing opportunity to enter college, result in unequal indebtedness upon leaving college. The poor will avoid expensive schools, though qualified, in order to avoid a large debt. Even in a school of equal cost the poorer student is liable to incur greater indebtedness even with grants and work study available.

Institutional matching requirements should be eliminated in EOG, Work-study, and NDSL Programs. This matching money would be available for other areas of need within the institution.

We would favor extending all student aid programs to part-time students both undergraduate and graduate.

There are many persons who would avail themselves of higher education but who lack resources to make a full-time committment to such pursuits. This support would be available to them since as taxpayers they provide access for others and yet through circumstances they do not enjoy such options for themselves because of the lack of assistance for part-time students.

At the graduate level there are those who live in areas where they can take advantage of educational opportunities but need help in order to realize such opportunities. Having to pay the high cost per point and maintain other obligations negates the desire of many persons to pursue part-time graduate study. If the cost of living continues to increase the time may come when more and more graduate students will go to school this way for they cannot afford to restrict themselves and their families to the limited and inadequate resources available to full-time graduate students. With the cut back in graduate support this will allow a continuation in some cases to those students who did not receive enough support to go full-time and to those who would like to go part-time.

A cut back in graduate work-study and N.D.E.A. fellowships would hurt the chances of large numbers of blacks pursuing and securing the doctorate degree. The elimination of work-study grants for graduate students will be extremely destructive in those graduate schools which enroll large numbers of low-income and minority group youth. The traditionally Negro graduate schools would find it impossible to continue to salvage substantial numbers of talented black youth for graduate work. There is a shortage of Blacks with Doctorate degrees, contrary to the oversupply of doctorates as voiced in academia.

The National Defense Student Loan would be the best type, if any, loan program for the Black College Students. Institutional administration would be a guarantee that these students would be availed the opportunity of such a loan. There is no indication that such a guarantee would be provided otherwise.

Forgiveness of loans has its merit in accelerating movement into the mainstream. Disproportionate earning potential of minorities should be recognized and this should be a way of nationally helping to rectify this inequity. Targeting of forgiveness should be based on economic background, areas of services, i.e. rural, ghetto, and deprived; where salaries are not commensurate with those paid in more prosperous areas.

APPENDIX IV.—HIGHER EDUCATION TITLE III

Title III of the Higher Education Act of 1965 is the program most responsive to the needs of the predominantly black colleges. In its present state the original authorization was 91 million dollars. The present pending appropriation is 38.5 million dollars.

Though the Carnegie report on problems of the Colleges founded for Negroes is entitled "From Isolation to Mainstream" there are still institutions struggling for survival and are in instances isolated from the main currents of academic life.

We proposed that in the reassessment of this Title that the authorization and full appropriation of the following sums of money be done as a principle of hope for these colleges: 1972, 120 million; 1973, 140 million; 1974, 160 million; 1975, 180 million; 1976, 200 million.

According to some reports more than 100,000,000 dollars worth of proposals were submitted to this program for the past funding cycle. If appropriated to its full authorization this would be a major step toward moral accountability as we celebrate the 200th anniversary of the founding of this nation in 1976.

The definition of developing institutions should be sharpened. Those schools educating a majority of group youth and producing graduates from among them should be viewed as primary target schools within the Developing Institutions Program. Among the Junior Colleges those schools which enroll and transfer a majority of poor and minority students to the four year colleges for degrees should be the target.

Other factors for consideration are: Maintenance of the 23 percent stipulation for other than degree granting colleges; Removal of the Professor Emeriti restriction (other than developing institutions); Make the cooperative arrangement optional and grant the institutions discretionary power in seeking expertise as needed.

APPENDIX V.—ACADEMIC FACILITIES

The construction of academic facilities is very vital to the expansion of student enrollment at these institutions. Specialized facilities will be needed for the new demands of changing instructional methods, laboratories, experimentation, research, and expanding fields of societal interest. In other instances there is the need to rehabilitate and convert obsolete and substandard facilities in many institutions. Therefore two parts should be considered in the area of academic facilities: new facilities and rehabilitation of present facilities.

We support the continuation of Federal grants and direct loans for the construction of academic facilities, as well as the program of interest subsidies on loans obtained in the private market. There are serious needs in terms of expansion and improvement of current facilities that are best met within the context of a grant program.

We feel the Commissioner should be allowed to waiver the matching requirement for institutions serving large percentages of students from low socioeconomic backgrounds.

Non-revenue producing facilities built with Federal Funds should be supplemented with a maintenance fund to insure that the government investment be protected and maintained.

APPENDIX VI.—NATIONAL FOUNDATION

The National Foundation would be helpful in providing grants to institutions that have always had to be innovative and creative in providing services to the nation on a shoestring.

The Foundation should undertake a study of equality of opportunity in higher education with the emphasis on identifying mechanisms showing promise for the movement of the poor through higher education to a degree commensurate with their numbers in the population.

Thus, a fundamental principle would be that of promoting equality of opportunity in higher education with proper focus upon adolescents and minority group populations.

The structure of the Foundation should insure:

That the composition of the board would be representative of higher education in general but further represented in terms of the population served by the institutions of higher education.

That the association have in the selection process the opportunity to make recommendations of those felt to express points of view representative and inclusive of their interest.

That the Board of the National Foundation elect its own chairman from within the Board.

That there should be compatibility between the executive function of the Director and the position of the board.

Additional input in keeping with our proposals from last year might see a mix within the Foundation that includes the following:

That institutions with long term accomplishments predating the current emphasis on the disadvantaged be rewarded through inclusion where they have done the job.

That the leadership in terms of educational reform be diversified and not maintained in a narrow range of institutions of prestige and status recognizing that these institutions to date have not been productive of equal access to educational opportunity in the society or within the institution themselves.

That increased effectiveness will be developed and encouraged in institutions already producing large numbers of graduates from our poor and minority group students.

APPENDIX VII.—OTHER PROPOSALS

OTHER PROPOSALS

There are additional proposals that should be listed as representing the concerns of this group of institutions.

NDEA FELLOWSHIP PROGRAM

This program should be continued as any phasing out of these fellowships will encourage an irreversible gap between the availability of minority doctorates and non-minority doctorates. Contrary to the present emphasis on an oversupply of doctorates, *there is no oversupply of black doctorates.* If this trend is carried out there will be no approximation of parity in holders of the doctorate degree within the forseeable future. This would indeed undercut the ambition of young doctoral hopefuls who would seek to pursue the terminal degree.

With unwritten quota systems, how will these students survive in an arena where the resources are very limited and the number of persons who hold doctorates now in no ways approximates a certain kind of parity.

The pipeline must be enlarged to include more candidates, otherwise the future academic leadership will be deprived of a mix which will be necessary in our forseeable continued culturally pluralistic society.

We would encourage a continuation of this program and an earmarking of a percentage of these fellowships to Black Doctoral Candidates, and a continuation of other programs that train students in mid-level graduate offerings between the bachelors and the doctorate degrees.

A greater proportion of the black college graduates can be encouraged to go to graduate and professional schools with the proper fellowships. However, many are already in debt from loans for their undergraduate education and want to enter the labor force immediately.

COLLEGE LIBRARY RESOURCES

Continuation of Title II with the aim to upgrade the available offerings at colleges serving large numbers of low-income students where there is a deficit of books and materials coupled with inflated cost that make such additions restrictive and in some instances prohibitive.

INSTRUCTIONAL EQUIPMENT

Adequate funding of Title VI which provides funds for the use of new educational technology.

COMMUNITY SERVICES AND CONTINUING EDUCATION

Continuation of Title I with a waiving of matching requirements for institutions serving large numbers of low-income students and or in communities which serve such a low-income population.

Mr. BRANSON. We believe that these are some background statements which the staff might want to look at. Finally, sir, we at this table, Dr. Dowdy, Dr. Blake, Mr. Fisher, and I, are most appreciative of this opportunity to appear before you.

Certainly we will be pleased to try to answer any questions you may have.

Mr. BRADEMAS. Thank you very much indeed, Dr. Branson and your colleagues. Let me ask you two or three questions if I may. As I understand it, you are saying that you endorse a proposal for general institutional aid, but that you favor a supplemental program of institutional aid which would be based, in large measures, on the extent to which the institution was enrolling low-income students. Is that correct?

Mr. BRANSON. Yes, sir.

Mr. BRADEMAS. Are you suggesting that there should be included in the formula for general institutional aid, as distinguished from the formula for supplemental institutional aid, if I am intelligently appreciating the distinction you are making, a factor touching on the number of low-income students or not?

I don't know if I made my point clearly, but are you wanting to include the low-income factor in both the formulas for both forms of institutional aid or only in the supplemental?

Mr. BRANSON. Only in the supplemental one, sir. In other words, you essentially would be counting the students from low-income families twice. You would be counting them first in the general ammounts—the $100, the $150, or whatever that would be.

Then you would be counting them again when you looked at the fact that they were there in such large numbers that they would give the college a special problem. We recommend that you do not consider this until that number is at least 10 percent of the college enrollment.

With 10 percent of the students in this particular category, the colleges will have special problems in trying to give stronger supportive aid and special problems, for example, in giving them richer programs.

Then you reach a school where 20 percent of the students are in this category. You can see that influences the school across the board. It means, for example, that this school will not have as much of an appeal to an affluent parent, an outsider.

After all, these parents don't have that much. They will not be affluent relatives. They will not be people who are employed in industry or businesses. What we are pointing out is this means a real problem for these institutions.

This has been and we would like some relief from that.

Mr. Brademas. One of the criticisms that was raised by the American Association of State Universities and Land Grant Colleges and the American Association of State Colleges as I recall it, in a statement of January of this year concerning the administration's higher education proposal, was that if the administration proposal were enacted into law and the President was successful in making it possible for a million more low income students to come to colleges and universities, the additional burden on the institutions represented by the further cost of education for the reasons you have just here outlined, would be in the order of magnitude of $1,500 per student, or $1.5 billion.

That was a statement that I am sure was made with respect to all higher education in the United States. Can you tell me if there is any difference in the cost of education for low income students at predominantly black colleges from the additional burden that one would see for low income students in colleges generally speaking?

Mr. Branson. Yes. In general, the cost in predominantly black colleges has been kept down. It has not been giving the services, for example. Take one of the very good predominantly black colleges.

Take Fisk, a Phi Beta Kappa institution. You would think it would be ranking with Swarthmore or someplace like it, but Fisk's tuition is only $1,500 while, at a major white school, the tuition cost would be $3,000 or more at the present time.

This means, of necessity, Fisk either gives a less expenditure per student or it really raises more money from other sources. It has not been able to do this. That is one of the points I think Dr. Dowdy is making, that these institutions have been giving seemingly a quality education at a unit cost which has been considerably less.

Mr. Brademas. What can you say with respect to the general problem of the role of black institutions of higher learning in the United States as distinguished from moving toward integrated colleges and universities?

Mr. Branson. I think we all would hope that there will come a time in America when such designations on race will no longer have any significance, that these institutions would all make the transition on the right of having been predominantly black to being just American institutions without any designation whatsoever.

At the same time, Ohio State would make the transition from the left in that particular category. But we think that is a long time in the future. Right now we must concern ourselves with the young people who are with us, the young people who are planning to attend this fall.

If my own school is an example, 90 percent of them have very, very severe financial needs and we are going to be forced to turn lots of them away because we just don't have the resources to supply the need in this particular quantity.

Even if we could, we would have to worry about where could we get the additional money to admit all of them, to pay for that differential, because on our campus our tuition is roughly one-third of the general cost of education and general expenses.

Mr. **Brademas.** What is the principal source of student financial aid for students in predominantly black colleges in this country?

Mr. **Branson.** It is Federal sources right now.

Mr. **Brademas.** More specifically, gentlemen, what kinds? If you could give it to us in percentage terms on dollar breakdown or on a percentage of student breakdown, if that would be a helpful way to do it, to what extent do students in predominantly black colleges depend on educational opportunity grants, national defense loans, work-study and guaranteed loans?

Mr. **Branson.** In the FICE report it showed 32.3 percent was spent in all the aid programs in the predominantly black schools last year. Assuming say 200,000 students, that is of the order of $200.

In my own school, 85 percent of our students are getting some type of aid. This year, the combined Federal aid is of the order of $300,000 or $400,000, which averages out at $400 per student, because we have 1,000 students.

But we also have Pennsylvania State aid, senatorial scholarships. We have our own work program. We have a grant from the Rockefeller Foundation too, but the Federal portion in my school is averaging about $400 per year. What about your place?

Mr. **Dowdy.** About the same thing, but I want to add to that—the highest one would be the national defense student loans. I would say that would constitute 60 percent of the aid going to the students. The other would be made up of the equal opportunity grants, work-study, and so forth.

Mr. **Brademas.** To what extent—is that the FICE Report?

Mr. **Branson.** The Federal Interagency Committee on Education.

Mr. **Blake.** The figures that they give here of the approximately $40 million, it is $14 million in educational opportunity grants, $14.7 million in College Work-Study and about $11 million in loans, of the three programs listed here.

Mr. **Brademas.** By loans you mean——

Mr. **Blake.** N.D.S.L. student loans.

Mr. **Brademas.** That is almost one-third.

Mr. **Blake.** Right.

Mr. **Brademas.** Whereas, at your institution, Dr. Dowdy, you said as many as 60 percent of the students. I realize we are talking about money here and dollar volume here and numbers of students over here, so we are comparing oranges and apples.

Mr. **Dowdy.** I am including the guaranteed loan program too.

Mr. **Brademas.** You are talking about loans?

Mr. **Dowdy.** Yes.

Mr. **Brademas.** I am trying to get a general picture of the extent to which students at predominantly black colleges depend on these various types of Federal assistance programs. What I generalize from what you are saying is that you do not rely predominantly on any one of the major programs but that you mix them.

That has significance for me, in any event, in respect to our problem in this committee because the administration has suggested that we, in large measure, confine Federal assistance to low income students while urging middle income students, for the most part, to rely on the private money market followed by some sort of Federal insurance.

Yet, you are saying that your students who are, I take it, in very large measure low income students, do rely to a significant extent on the national defense loan program as well as on the college work-study program and the EOG program.

Mr. DOWDY. They have to because we don't have enough EOG money and work-study money. They have got to have something to go to school.

Mr. BRANSON. I think it is more a question, Mr. Brademas, as to what is available. Our students look for what we can give them or what we can put together for them. One of the tragedies has been there have been instances where no other money was available and we attempted to go on the private money market where we got repulsed.

This has been the tragedy of it. I think, in my appearance last time, Mr. Hogan, I gave you some figures on that.

Mr. BRADEMAS. If you could have your druthers, what would you like?

Mr. BRANSON. It is in this paper, sir. We would like EOG and work-study to a level of at least $1,800 to $2,000. We would like a guaranteed loan for roughly $500 more so a low-income student could be assured of having roughly $2,500 per year, ending up his college career, however, with no more than about a couple of thousand dollars worth of debt.

Then he could think realistically of going ahead to graduate school, medical school or law school, where he may accumulate a great deal more debt, but he does not carry the dragging effect of a large amount of debt in college.

Mr. BRADEMAS. You didn't mention NDSL in that formula.

Mr. BRANSON. Because that is a loan too. We are trying to cut down the amount of loans. We prefer having, if you could give us, the guaranteed loan with subsidized interest rate, only 3 percent to the young person.

Mr. BRADEMAS. Just one final question. The apprehension that I have had—you tell me if I am mistaken, Dr. Branson—is that many low-income black students view with great suspicion making private loans with which to go to college——

Mr. BRANSON. Yes; it might be added that in many instances, these types of loans are not available to black students.

Mr. BRADEMAS (continuing). unlike a lot of white middle-income students for whom it is just part of their way of life and therefore, a greater reliance on the private money market would not really be the most effective way of meeting the needs of low-income black students, because of that sort of cultural impediment as it were. That is to say, there is a fear of making loans. Am I wrong in that? Tell me if I am.

Mr. BRANSON. I think the fear arises from perhaps three other sources. In the first instance, their experiences borrowing money have perhaps been traumatic. If their parents had borrowed, it has usually been at very high interest rates and all sorts of unpleasant things have been associated with it.

Number two, many of the procedures for borrowing are quite intricate and may become even more intricate when they present themselves. I made a statement, for example, the year before last that in thinking about my students in Cleveland, Ohio, there wasn't a solvent cosigner on Cliff Avenue that they knew about.

Consequently, they couldn't get any solvent cosigners to go down with them. In the third instance, sir, I think we can document; that there has been a rather systematic run-around for many of our students.

We have sent some students down who were at the end of their tether. There was nothing else possible. Yet, when they went down, they were not treated too respectfully and politely. They were just about told there was no more money available.

This has happened in many instances, so I think it is a combination of factors. I believe that if we can convince our students that this is the only way to gain the advantages of higher education, I am sure they would be willing to take on a reasonable amount of debt.

But what we don't want them to do is to take on so much debt as an undergraduate that this would be a deterrent to their going on to law school or medical school, because we think we need our good ones to continue in these areas.

Mr. **Brademas.** Thank you very much. Mr. Dellenback?

Mr. **Dellenback.** Thank you, Mr. Chairman. To follow a little, Dr. Branson, on this upper limit on loans and grants and the interrelationship between the grants and loans, you have indicated that you felt hopefully, there would be something like $1,800 to $2,000 in EOG and work-study.

If we have to come to the hard nut of the choice between increasing the number of students who could get grants versus decreasing the number but increasing the amount, which way should we tend to go? That is a choice I hate to throw to you, but this is what we are facing under our limits on the dollars.

We have got to talk in terms of balance between loans and grants, and given loans and grants, how do we spend the money?

Mr. **Branson.** I believe, sir, you can sort of have this and appreciate it too, for I believe that the amount of money we are talking about and the number of students we would think about in this very low category, if you look at the percentages which we gave you, if you think, for instance, that there are say 400,000 blacks now in college and 20 percent of them are in this particular category—one-fifth—that is only 85,000 students.

If you look at the nonblack students, we are talking about 3 or 4 percent there. Again, if you take 8 million, that gives you a few more. But 3 percent is not 240,000. We are talking roughly about 320,000 students.

My belief is that an additional amount of money there of $1,000 apiece would be $320 million, which is much less than $864 million. I do believe it would make a great deal of difference for those young people for whom we really want opportunity to be genuine.

Mr. **Dellenback.** Should grants of this nature be graduated or should it be that if you are below a certain level you qualify and if you are above that level, you don't. Should it be that if you are in this bracket you get so many dollars and in this bracket fewer and so on?

Mr. **Branson.** The modification tables which we gave you suggest they would have to be graduated. It is just that, unfortunately, if you happen to be $4,001 you get nothing; $4,000 you get the whole thing. I think that is unfortunate.

The recommendations really are graduated recommendations right on down the line.

Mr. Dellenback. Where would you phase out the aid?

Mr. Branson. In this document, the national association clearly said that there should be no EOG beyond roughly $7,500 per year on adjusted family income. So EOG would cut off there but students could still qualify for work-study, maybe even as much as $10,000 income per year, because work-study could be a useful thing in the university.

Mr. Blake. Could I comment on that? I think that there are some other factors which we haven't made a strong point of but which I think are important as you consider these kinds of alternatives.

That is, that you have to pose the question, as many of us do, as to where are the students going to get the dollars to get in college and stay in college if the kinds of programs we are talking about are not adequate.

The problem is that these students can expect little or no money out of their families in support of their education. We collected some information in which we asked students, for example, how much did they expect that their parents could put in to their college education.

What we got back was that 38 percent of the students indicated that their families could put in 25 percent or less of the cost of their education. Twenty-seven percent said 25 percent or less.

But in this table, we have another column which says "No Response," which has 20 percent in it. What we suspect there, is that many students really were too prideful to say what the true state of affairs was.

So here we have about 70 percent of these students really expect 25 percent or less from their families for going to college. This places them in a very difficult position and what I am arguing for is a look at this particular problem.

I think the numbers are manageable, as Dr. Branson was saying. We must try to price out what it takes to start moving these young people into college and not try to deal with their problem and the problem of student financial aid for all students in college on this same continuum, because if you do, I think the bargain you are talking about becomes a bargain for the student who moves up above $7,500 on to the $12,000 or $13,000 family range.

But it is no bargain at all for the student below. It really means he has no visible means of going to college and getting into college. When he looks at the partial support which you can offer him, vis a vis the real cost of going to college, his decision is likely to be that, I can't go because there is no other place I can get the money.

Mr. Dellenback. I am struck by the point you made, Dr. Branson, about the payback capacity of the students at one of your institutions and the payback capacity ultimately of the students from a not predominantly black institution.

Mr. Branson. That is so true, sir.

Mr. Dellenback. I can understand how that controls so much of the thinking about loans, but thinking in terms of the loan as a supplement to the grant, what sort of ceilings, if any, should be placed on that?

We talk in terms of what you consider the ideal situation, where a student might come out of undergraduate school with a loan of no less than $2,000. What should we place there as a limit, assuming it can't be done that way? How should we do it?

Mr. **Branson**. Again, sir; you would probably have to wrestle with your own conscience and insight on this.

Mr. **Dellenback**. I don't have really to wrestle with my conscience as I do with my predictions about what the Congress can be led to do in the way of appropriating money.

Mr. **Branson**. We looked at this and came up with this idea. We thought it should be possible for an able poor kid to really go to the most prestigious university in America as an undergraduate.

If he has no other means of support, then he should know he has mortgaged his future to that extent. We look at Princeton as an example, where the cost is perhaps $5,000 per year, realistically.

He would have to pay the school something like $4,000 tuition fees and all this. Therefore, we thought there should be a program which would allow him to do that if he wanted it. If he were sufficiently mature, he would mortgage his future for this opportunity. That should be available to him.

Mr. **Dellenback**. It would be predominantly loans?

Mr. **Branson**. Yes. In other words, EOG and work-study then might give him $1,800. He still has $3,000 that he must borrow, maybe $500 at the 3 percent category, but the rest of it, $2,000 or $3,000 more he would have to get on the common loan market.

But he should understand what he is doing. He is saying to himself that rather than go into A & T and get a better education really, he prefers going here and therefore, he is willing to take on this particular burden to do that.

I think there are 18-year olds who have that type of insight and perspicacity and I think it would be perfectly realistic for them. I think the opportunity should be there for them to do this.

Mr. **Dellenback**. Do you place a limit on it?

Mr. **Branson**. I would place a limit so that the total amount borrowed would be enough to go to the most prestigious American university to which he can get admission.

Mr. **Dellenback**. So you really could consider his being permitted to borrow $20,000?

Mr. **Branson**. $20,000 over a 4-year period, yes.

Mr. **Scheuer**. Would you marry a girl who owed $20,000 to the Federal Government?

Mr. **Branson**. Eventually you could marry one who has $100,000 to pay over 20 years.

Mr. **Scheuer**. I think we are going to create a whole generation of unmarriageable women through this problem.

Mr. **Branson**. We raised this point right here.

Mr. **Scheuer**. I wouldn't touch a girl with that kind of debt with a large pole.

Mr. **Branson**. I think we learned last time, we don't talk about negative dowrys. Certainly we agree. I think the debt is not the way to do it. We should like to have things arranged so the poor kid can go to a good institution and graduate with a debt of no more than a few thousand dollars.

Mr. **Dellenback.** That is all I have and I will yield to you, my colleague.

Mr. **Scheuer.** Thank you. My every instinct is repelled by requiring a kid to mortgage his future to go to college. I think it is the wrong kind of education funding. I am against it and I think it is a terrible mistake.

I think it presents a kid with alternatives and options that are totally unsatisfactory. Until this country gets to the point where we support universal free post-secondary education for every kid who needs it so he doesn't have to mortgage his future, so that the girl doesn't have to worry about what this guy down the block is going to think about her $20,000 debt to the Federal Government, and I am only half facetious about that, we haven't done right by the next generation of American kids.

I personally feel that if it was appropriate a century ago to offer free public education through the 12th grade, that the degree of sophistication and knowledge and skills that our society demands of young people today would certainly make free public education through the 16th grade equally appropriate.

I must say, my gorge rises at the phrase that you have used of this young person being willing to mortgage his future. I don't think we have any right to ask him to do that. As you undoubtedly know, several members of this subcommittee who sponsored H.R. 7248 feel some unhappiness about the deletion from section 441(a) of the phrase, "particularly students from low-income families."

Also deleted, from section 444(a)(3), the phrase, "in the selection of students for employment under such work-study program, preference shall be given to students from low-income families."

I am all for helping middle-income kids get through college. There is absolutely no question that the burden of spending $5,000 a year for several kids in college is a tough one, even for middle-income families.

Next fall I will have two girls in college and I know that this is not an inconsiderable burden even to a family reasonably well circumstanced. I support aid to middle-income families. I would not support a Federal program that is only available to kids from low-income families, but inasmuch as we are presently underfunding, in such a shameful fashion, educational opportunities for postsecondary education for all kids, it seems to me that we cannot ignore the plight of the needy kids while we concentrate on middle-income kids, who have a very legitimate and meaningful need for help.

I am concerned about these deletions and I would like to know what your feelings are on this subject. What would be the impact of the deletion of these provisions on the operation of the work-study programs?

Mr. **Dellenback.** Are you asking this of the Office of Education?

Mr. **Scheuer.** I am asking this of the witness.

Mr. **Dellenback.** He is not a representative of the Office of Education.

Mr. **Branson.** We agree with you wholeheartedly. As a matter of fact, the major problems here arise because in America we have had two systems of higher education; namely, public and private.

What we are trying to do is maintain the good qualities of both. I think certainly that is why we are having this particular interaction struggle at this time. If there were only public education there would be no question about it, we would just provide and go forward, but we have some excellent institutions which are private and excellent ones which are public.

I think I would argue too that at this particular stage in our history there are definite advantages in having the type of resiliance, the public opportunities for education which we do have in not having an entirely public system.

I agree with you wholeheartedly. That is exactly what we would like to argue, that this is an opportunity which is for the strength of America and whenever we do not develop the talents of our young people who have it, no matter where they may be born, then this is a loss.

Mr. DELLENBACK. We anticipate probably another quorum call and since we have had a chance to hear your testimony, we have a few more questions because, I understand, we have some other witnesses.

You recommended that matching requirements in work-study and grants be eliminated. Is there a danger that this might mean less meaningful jobs for students?

Mr. BRANSON. I don't think so, sir; because it seems to me that unless we have confidence in the universities and colleges which are doing this, then the whole problem of higher education loses its significance.

Certainly, we trust these people with a multi-million-dollar budget, which they must carry out intelligently and well and then if we say we can't trust them with a few hundred thousand——

Mr. DELLENBACK. I am not saying this is the case. I am asking you——

Mr. BRANSON. My feeling is, I wouldn't worry about it.

Mr. DELLENBACK. What about setting up a situation where there would be a 20-percent matching, or some percent, but allows the Commissioner to waive the requirement when it is consistent with the purposes of the program. This would permit, in a given situation, like your institutions perhaps, a waiver, but it would not apply to some other institutions?

Mr. BRANSON. I think we could live with that, sir, because the important thing is, when a university or college does present the fact they cannot meet the matching provision for the amount of money it needs for its students, and it cannot do it if it has a large number of low-income students, it is perfectly——

Mr. DELLENBACK. You are looked to as experts in the field. Would you feel that was an unsound move, if we were to do that?

Mr. Blake. I would really prefer, rather than just giving that power to the Commissioner, to work out some legislative recommendations that would, in fact, direct him to waive this kind of matching requirement.

Something to the effect, for example, of institutions which have to serve or do serve an unusually large number of medium- and low-income students rather than just saying, if it serves the purposes of the act, because it comes back to the question which was raised earlier about dropping the language of low income, particularly needy students.

I think that given what the problem has been to this particular point, namely that there is not, to my knowledge, a major problem in terms of access to higher education of middle-class America, the problem is that so many are going; but what we are concerned about is that there has been not the kind of access, not the movement for black and other low-income students.

Therefore, it would be my feeling that in a scarce market the legislation have something in it which indicates that those who have been shut out get first crack at the available funds. One says this is a hard choice politically. It may not be a happy choice because how can you get the vast numbers of people to support legislation which differently affects people outside of that large middle group?

I think that when one looks at who is in higher education, one sees that there may be the difficulties and problems in support, but the young people are there and they are there in ever-increasing numbers.

That is not the case for the kinds of families that we are talking about here. They are not in higher education and unless something is done to direct more funds to them, it is unlikely that they are going to get into higher education.

Mr. **Dellenback**. So you are really talking in terms, going back to my question of Dr. Branson a while ago, of saying, it seems to me, wherever the limits actually be set, you would approve of the dollars being used on the broadest possible basis in the low-income field before you make them available in larger amounts to middle-income people. Is this correct?

Mr. **Branson**. I think it is correct.

Mr. **Dellenback**. In response to the mechanics that Mr. Brademas referred to, the rigmarole of getting loans and how it scares some of your students off, would it be better in regard to these loans if the students could get their loans through the instiutions' offices rather than to go to public lending institutions? Would this be an important differential?

Mr. **Branson**. It would be much better and, of course they would be treated much more sympathetically.

Mr. **Dellenback**. This, of course, is one of the proposals involved in the administration legislation. This is one of the concepts of having outside the public market but not to force it to go into the lending institutions, but to give the student aid offices a chance to deal with them under these circumstances. Do you feel this would be helpful?

Mr. **Branson**. This would be awfully helpful to us. Students again, who have not had this experience——

Mr. **Blake**. They already look to the colleges because looking again at some of the questionnaire data from incoming freshman, if you ask them how much financial aid they need, all of their responses relate to getting it from the college.

They don't know how they are going to get it from the college, but they view the institution as the place where they are going to get help. That relates to the other questions he was raising about loans, about the private market, about the family income levels and so on. I'll give you another college statistic.

Mr. **Dellenback**. Excuse me for cutting you short on this. I wish there were limitless time, but let me finish up with a few questions because I understand we are going to have to get to some other witnesses.

What about the importance of the forgiveness of loans versus the repayment of loans? There are several programs whereby there is forgiveness in certain cases instead of repayment.

Mr. Branson. I have always liked it. I thought it was attractive. It sent students into certain low-income professions where they were desperately needed by society, where the financial rewards were not as great as other professions.

I personally thought this was a good feature of it, but I do not think it is a major consideration.

Mr. Dellenback. It was originally conceived of, as I understand it, a means of drawing into certain fields students who were not otherwise entering these fields. There seems, today, to be less need for this than was the case several years ago.

Mr. Branson. I would not put this as a major concern, sir.

Mr. Dellenback. So if dollars had to be used for a series of purposes, you would tend to put down the line of using dollars to wipe out loans and use them for creating new grants or even new loans or payment of interest on loans as a higher priority.

Mr. Branson. Yes.

Mr. Blake. But I think there is one subcategory that we are concerned about as related to the previous kinds of forgiveness. I think there is a very important need in terms of young men and women who qualify and go on to graduate and professional schools, who are going to serve in these very high priority kinds of professions and who, themselves, come out of low income families where they have had to run this kind of risk.

I think that if there is going to be a forgiveness, it is going to shift away from the current kinds of things. What we need, as Dr. Branson says, is lawyers, doctors, people of that nature very badly.

If there is a kind of loan situation that could be forgiven them so that these students could go on into those things, even if they had to take on still other loans to do it, that they do have some aid in doing that.

Mr. Dellenback. We could, in this committee, authorize immense amounts. We can be very popular and we can say we ought to double and triple and quadruple and do all of these things, whatever you want. Just come and ask for it.

That doesn't give you one dime, as you know, because the authorization doesn't put a dime in the pocket of the school administrator. You know this, every one of you. We have got to face the tough questions of what can we authorize and what sort of a program should we create, knowing the dollars are going to have some limitations placed on them in the appropriations process.

We are then faced with the tough choice of what type of help shall we give in the creation of a program that is really going to be most beneficial. That was the question I was really asking.

When we face that tough reality instead of the ideal world where money can be grabbed in any amount that you might like it to be, what comes first? What if a low income student knew that repayment of his loan somehow would depend on his future income and there was even a possibility if his future income was not great that he would repay less of the loan? Would this have an impact on what he would or wouldn't borrow?

Mr. **Branson**. My experience with college students would lead me to think that this would rarely be a consideration. I don't think he would be that deliberative in terms of deciding his career on the basis of whether he would pay back more or less than this amount. I don't think so.

Mr. **Dellenback**. Would you agree with that, Dr. Dowdy?

Mr. **Dowdy**. I think I would.

Mr. **Dellenback**. This is similar to the type of plan that Yale is experimenting with and is not broadly promising so far as what might be done.

Mr. **Branson**. It is hard to predict on this. In thinking of the students with whom we have contact, we find that they are eager to get this opportunity and I think many of them will do it without any feeling about what it might cost them in the future.

Mr. **Dellenback**. Unfortunately, you have dealt with things of the same nature as I myself have dealt with. Almost half the States are in that direction who have student aid programs of their own. Do you have any significant number of students at your institutions that deal in that type of State aid, that benefit from any of the State programs?

Mr. **Branson**. Pennsylvania has one of the good programs and Lincoln has quite a number. We have Senatorial Scholarships and Pennsylvania Higher Education Aid.

Mr. **Dellenback**. Are they primarily grants or loans?

Mr. **Branson**. In this particular one they are all grants. What they have done though, sir, is we get a certain amount from the State and out of that amount, we reduce that by the number of Senatorials which we give.

So it really doesn't mean any additional funds for us but it means we put the money in a different category.

Mr. **Dellenback**. But there is real benefit that comes from programs of this nature.

Mr. **Branson**. Yes.

Mr. **Dellenback**. Is this true of the other 110 institutions?

Mr. **Branson**. Many States don't have this, of course.

Mr. **Dowdy**. I was just going to say that those 22 States do not comprise most of the States from which the students come and in which these institutions are located.

Mr. **Dellenback**. It might be easy for Alaska to have such a program but there aren't many Alaskan students.

Mr. **Dowdy**. Yes.

Mr. **Dellenback**. You have talked in terms, Dr. Branson, of support of the proposed National Foundation for Higher Education. I personally agree very strongly that certainly one role in such a foundation would be to stimulate better and additional opportunities for minorities with low-income students.

If such a foundation were to be created, do you have any specific ideas for innovative programs?

Mr. **Branson**. We certainly do, sir. For years——

Mr. **Dellenback**. I don't ask you to spell them out now.

Mr. **Branson**. Dr. Blake is the president for the Institute for Services to Education which, for the last 6 years, has been carrying on one of the most stimulating, innovating programs in America.

(The following articles were submitted for the record:)

LINCOLN UNIVERSITY,
Lincoln University, Pa., April 22, 1971.

Mrs. EDITH GREEN,
Chairman, House of Representatives, Special Subcommittee on Education,
Washington, D.C.

DEAR MRS. GREEN: Please accept my sincerest thanks for having your Sub-Committee entertain our views yesterday on the position of the predominantly black colleges in America. Dr. Dowdy, Dr. Blake, Mr. Fisher and I deeply regret that your appointment in Oregon kept you from attending. We think that the sharp but cordial questioning which we enjoyed from Representatives Brademas, Dellenback, Scheuer, and Ruth brought out much information of great potential value.

I had planned to put into the record a most remarkedly vivid and human account of the experiences of a great Negro judge, Raymond Pace Alexander, but I could not clear with Judge Alexander before I left. Fortunately he called me last night and gave me leave to use his "Blacks and the Law" which appeared in the New York State Bar Journal, *43*(1), 15-23, January 1971. From your comments at the March testimony, I am confident that you will want to read his account. If you think it appropriate, may I respectively request that this article be entered into the record as an appendix to the testimony of April 21, 1971 of the National Association for Equal Opportunity in Higher Education.

Very sincerely yours,

HERMAN R. BRANSON,
President.

BLACKS AND THE LAW[1]

(Raymond Pace Alexander*, Philadelphia)

THE BLACK LAW STUDENT and the Black lawyer have come a long way toward being accepted as able, better than average and, in many instances truly brilliant performers in their respective fields since the cruel and forbidding days of the 1920's, 1930's and early 1940's. I speak from bitter experience. If perchance I become slightly auto-biographical, you will, I trust forgive me. It was suggested that I write from "personal experience . . . how have you been affected by discrimination . . . what have you done . . . to alleviate this . . . (for) other blacks." Additionally, "can one be an activist within the . . . law." Let me tell you like it was, and is, today.

I am a native of Philadelphia, one of 5 children in a poor family whose mother died when I was five. My father was unskilled, uneducated, and, with the help of an aunt, kept the family together. My work days began at age 12. At age 17 I was graduated from the famous Central High School at the top of my class. I was the Commencement Orator. My topic, ironically, was "The Future of the American Negro," whose future then (1917) was dark and dismal. I won a scholarship to Harvard, but was too poor to pay for room and board, and so accepted the alternate, the University of Pennsylvania. I finished the four year course in three years with highest honors, but was denied membership in any honorary society for the stated reason, "No Negro was ever elected to membership." Two of the most esteemed Professors resigned from membership giving my rejection as the cause of their action. While a student at Penn I met my wife, then Miss Sadie Tanner Mossel, a senior who also was graduated in 1919 after three years study with the highest honors. Thereafter Miss Mossell (Now Mrs. Alexander) was named to the Frances Sarjeant Pepper Fellow in Economics. In 1922 she received her Ph.D in Economics (M.A. in Educ. 1920), the first black woman in America to receive the coveted Ph.D. degree.

I wanted to study law and my heart had long been set on Harvard. My Dean, always my friend, who warmly supported my election to honors on my commencement day at Penn, was surprised, then three days later, I, as a Red Cap baggage porter in the famed Grand Central Station, New York, again cordially greeted him as he stepped from the Philadelphia Express. I escorted him and carried his golf bags and suit cases to the famous Bar Harbor, Maine, Express for his vacation. I told him of my plans for Harvard. No scholarships to that renowned law school were available in those days. He knew my financial problems and arranged with the then Chairman of Harvard's Department of Economics, Professor Edmund B. Day, to give me employment as his and Professor Burbank's Assistant. Professor Day later became President of Cornell. Thus, I was able to study law with no financial worries but my work in the college took many hours which I would have much preferred to devote to my law studies. However, all went well and I graduated with my class in 1923.

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[1] Here is the biography of a distinguished Philadelphia lawyer and judge who left Harvard Law School with a distinct handicap. His story deserves the attention of New York lawyers because of the high place he has attained in American society as well as for his thoughts on how to avoid some of America's past mistakes.

*Judge, Court of Common Pleas, Philadelphia.

There were eight blacks in my first year at law school. Six were returning World War I veterans and all from Negro colleges, not too well prepared. I was the only one who was graduated, I regret to say.

Social life between the white law student body and the blacks was totally non-existant. In fact, there were no social contacts whatever between the black and white law students. I learned when the student's registry was published that at least one-half of the first year class of 400 were from the South. They never spoke to the black students and even the pleasant and courteous Northern and Western students merely said a quiet "hello" and no more. Except for a miniscule number who might engage in a few words of conversation, my list of white friends were almost exclusively the liberal Jewish students, who were our sincere good friends. Law clubs denied Negro membership. We started a new Black one (with a few friendly Northern Jews as members) which only partially filled this vacuum. It did not do well because of the paucity of black students. My beginning class had the largest black entrants in history because six were war veterans, all on Veterans Allowances. The second year had three, all Vets and one, the late, lamented and brilliant Charles Hamilton Houston, father of civil rights law and cases in America, Phi Beta Kappa (Amherst 1917) Law Review, Harvard (1921), former Dean of Howard University Law School—was the first Black to make Harvard Law Honors.

I spent practically *all* of my time, when not assisting my economics professors in preparing for their college exams and, more time consuming, reading and grading scores of examination papers weekly, in the Harvard Law Library. A warm friendship developed with several Profesors, particularly Dean Roscoe Pound and Professor Samuel Williston. They inquired of me my future plans. I replied that I wanted to return to my home town of Philadelphia to practice law. Answering their inquiry that I knew no lawyers in Philadelphia and had no contacts they, to my surprise, offered to arrange such for me. Quite coincidentally, they wrote letters to the identical law firm, the most prestigious in Philadelphia, and sent copies to me for my use when I return home. Of course, to such highly regarded and eminent legal scholars, the question of color or race was of no significance in such matters, hence, to the addresses I was, assumedly, a "white Anglo Saxon Protestant of scholarship and character." Copies of their letters to the Philadelphia law firm and the latter's very generous thanks for such reference were given to me with every assurance that "from now on—all is well." I harbored serious doubts. And I was not mistaken. My last summer's "upper-level" work summer of 1923, I was now up-graded from running as a Red Cap to running on the train the New Haven as a Pullman Porter (and working sparetime "at the yards" helping A. Philip Randolph organize those poor $30.00 a month Pullman Porters) was now completed. In between I took my Pennsylvania Bar Exam (July 2, 3, 1923) and received word of my successful passing of the same in August. I returned to my birthplace of "Freedom in America" to begin my practice.

I wanted to be certain the addressee of the letters was in the city so I telephoned my arrival and desire to see Mr. "X". I was put through to a lovely-voice secretary who assured me that Mr. "X" was expecting me and hoped that 11:00 a.m. would be convenient for me. It certainly was! Armed with my letters, and in a nice new blue serge suit, conservative cut and all, I nervously went to this great office in the then tallest office building in Philadelphia where, as one alights from the elevator one is right in the huge waiting room. I would be untruthful, if I said I expected a "Welcome, Brother" greeting. The receptionist doubted I had a personal appointment with "Big Mr. A." "Oh" said I. "I do and here are my letters from Mr. X." So, with my letters, she went back to a room to consult. I, by intuition or suspicion, followed the lovely lady out of the corner of my eye. I was never asked to have a seat when a dozen chairs were vacant. And, moments later a second lady opened the private door for only a moment and closed it. Still standing in the middle of the floor, suddenly Mr. X came out of the private office and greeted me.

"So, you are Alexander, are you? How nice to know you."

Then a long pause.

Then, reading the letters silently and then he remarked, "How nice of your Professors to speak so well of you. But, I am afraid there has been a mistake. I'm very sorry. We can't use you."

Courteously, he returned my letters, took me by the arm, slowly walked me to the elevator, pushed the button and bade me "good bye." I was alone in the elevator with the operator and walked to the rear. Suddenly, impulsively, I burst out in a flood of tears . . . something I don't think I had done since my mother was laid in her grave at age 5. The operator stopped the car and asked, "Did something happen to you? Can I do anything for you?" That morning, that meeting with Mr. X, that elevator ride down, that operator's remark . . . all will live with me, as it has, all my life.

Yes, something did happen to me! I was always one who believed the best of things could, with dedication and determination, result from hardship and disappointment. I decided then and there to go out on my own without a single contact in law, black or white. I soon found not one office building, new or old, in the central city or court house area or otherwise would rent to Negroes. To the Negro section I went and rented a third floor bedroom on Philadelphia's famous Lombard Street. I began by taking the lost cause criminal cases, particularly Negroes charged with serious crimes with predictably guilty verdicts. Many resulted in very unexpected acquittals and most in just causes.

I soon became one of the most active and ardent trial lawyers at our bar. I was not satisfied with purely personal success and accolades while witnessing at the same time, the treatment of my fellow blacks being denied access to all public places. This was happening in restaurants, including the great Horn & Hardart and Linton chains, lunch counters, hotels and theatres, motion picture and legitimate, where segregated galleries were the rule and this in "the cradle of liberty!!"

I resorted to the only way to stop these cruel practices. We had a pitifully weak civil rights law in Pennsylvania enacted in the 1880's. Criminal arrests were made time and again from 1924 until we were able, with the help for the first time of a Democratic legislature during the Roosevelt sweep in 1939, to pass a bill with teeth and brains in it. Eight black legislators, all democrats, met in my law office in 1939 for this purpose. A tough no nonsense bill was prepared and each pledged full support to it. I went to Harrisburg and lobbied every member, even the hard shell ones from Pennsylvania's Bible belt.

We succeeded. The bill passed by a comfortable margin. But in the very year of its passage a central city theatre denied entrance to two of our most prominent physicians and their wives. One doctor, Dr. F. D. Stubbs, was a Phi Beta Kappa from Dartmouth and M.D. from Harvard, the first Negro certified general surgeon. His wife was a University of Pennsylvania graduate, concert pianist and daughter of Philadelphia's first Negro Police Surgeon and the first Negro member of our Board of Education. The second physician, Dr. W. H. Strickland, was the son of one of Philadelphia's oldest Negro physicians, Chief of Staff of the Frederick Douglass Hospital and his wife a graduate of Pembroke. We arrested the Earle theatre owners, and won a consent decree, the last of some 20 such meaningless decrees. Under the old bill such decrees carried no damages. However, these continuous and annoying arrests and in some cases convictions did have the effect of gradual weakening this ugly and offensive conduct, so that early in the 1940's all such public places were officially declared open to all people regardless of race or color.

I must not fail to mention an episode in my life that followed soon after the rejection by Philadelphia's most prestigious law office that had much to do with my future in the field of law. After this experience I phoned my then financee, now Mrs. Alexander, who was working in Durham, N.C. as an Actuary for the North Carolina Mutual Life Insurance Company. She was under contract at Durham. She decided that she would return to Philadelphia the next year and study law. We decided to marry in the fall of 1923. I was earning enough in my practice, I felt sure, to support her, a home and send her to law school. She entered the University of Pennsylvania Law School in the fall of 1924. Mrs. Alexander maintained honor grades throughout and was elected to the Law Review. But the then Dean would have none of it. However, a brilliant Jewish student whose father was a Professor of Law rebelled and made it an issue. He won. My wife was elected to the Review and graduated in 1924 as the first black woman graduate from Pennsylvania Law School. Upon passing her bar exams a few months later was the first black woman admitted to the Pennsylvania Bar.

We have fought side by side the oppressive practices in force against the blacks in Pennsylvania since our admission to our bar. And, unfortunately, we were alone. There was no American Civil Liberties Union in those days. The white establishment were totally deaf to our pleas. Most of the few Negro lawyers that we had were on the payroll of the Republican bosses, held political jobs and were mum. Others had a hard enough time making a living. Pennsylvania was well known as a tough state in which to pass the bar exams; few Negroes took our bar examinations and fewer passed. We had no support from the white press, and while our churches supported all our cases, their leaders could not move the white establishment. Our highly regarded *Philadelphia Tribune*, edited by the forceful and courageous attorney E. Washington Rhodes, and the liberal *Philadelphia Courier and Independent* edited by an equally able lawyer, Austin Norris through their columns circulated widely the ugly practices of the establishment. They helped us to get the legislature to pass the bill that ended this disgraceful conduct.

Success in these cases against the establishment and, rather unusual success in the trials of both criminal and civil cases over the years (1924–1945) brought angry and repressive treatment against me by some of Philadelphia's leading defense trial firms, many members of the District Attorney's Office and indeed, I say with profound regret, some members of our judiciary, now long since deceased. They just could not stand seeing a well trained, well groomed courteous, well maintained but strong willed black lawyer appearing before, as was the custom in those days, all white juries and winning his cases. And, more to their chagrin, the black lawyer often represented a large percentage of white clients, men and women, in their courts.

This story is much too long and too detailed to discuss fully in this paper. But let it be known that during all that time I was fighting a political issue as well. Philadelphia was and had been Republican for 67 years until a few determined, able Negro leaders, mostly lawyers—I among them—joined hands in the 1930's with a growing number of liberal white Democrats including ex-United States Senator Joseph S. Clark and ex-Mayor Richardson Dilworth, who were the leaders in 1948, 1950 and 1952. We finally broke the back of the corrupt Vare Republican Machine and put in a new liberal reform team. I was elected to the first new Home Rule City Council in 1952, re-elected in 1956 and helped elect a Democratic Governor, who in reward appointed me to Philadelphia's historic bench in 1959. We sent the first Negro from Philadelphia to Congress, elected State Senators, 8 to 10 members of the State House and changed our City Hall Court House in Philadelphia from lily-white to nearly one half black—and we love it!

I have tried cases in many parts of the country against the greatest odds, handicaps and embarrassments. First, my own state must be exposed. The famous Berwyn School Case was a deliberate attempt of Philadelphia's famous Main Line to segregate its public schools including such beautiful areas as Ardmore, Bryn Mawr, Haverford, Berwyn, Paoli, etc., names to conjure with. This was in 1933. The families of all the children in that wide area of Chester and Montgomery County came to me in Philadelphia. There was not a Negro at those two bars. At that time no Philadelphian could practice in any other county unless he was admitted on motion of an attorney in that particular county.

The Consolidated School in September 1933 *barred* Negro children from entering and sent them to an old dilapidated, firetrap that had been abandoned when the new school was opened with money from the sale of County School Bonds for which black families also had to pay taxes. What to do? Those fine people, many mothers and fathers working in the homes of the wealthy families of the Main Line, some of those wealthy sitting on the School Board, wouldn't take that. I prepared suitable Bills in Equity asking for a restraining—preliminary injunction and carried the bills and copies to the Court House. I knew the law and I knew Chester County to be the most racist county adjoining Philadelphia. The Clerk of the Court refused to accept the writs because I was not a member of that Bar.

I tried to get several members of the Bar to move my admission. They *all* refused. I took it to the press. They publicized this inglorious treatment of a Negro lawyer who had a just and proper complaint who was denied, because of rank prejudice, his basic right to have his case *even filed* in court. Do you think that I was flooded with volunteers? Not at all. But one single solitary gentleman of the bar, a retired former District Attorney of Chester County, came to my support. Thank God for him! Then for two long years, there was battling in Chester County, rebuffs, then on to Harrisburg to the Attorney General of Pennsylvania for state supported mandamus. Then we returned to Chester County; then back to Harrisburg innumerable trips, all at night, at least 50 in all—to take testimony in various churches and after dozens of parents had been arrested and fined for keeping their children out of school. Yes, after two years of effort, 1933–35, we won. There was never again any effort to force little black boys and girls, at the tender ages of 6, 8, 10 on through high school into second class, abandoned segregated schools anywhere in Pennsylvania.

Yes, something happened to me way back in that beautiful office in 1923 which caused me to burst out in tears in that elevator and that "happening" still carries me "right on" to this day. I can never tell you the amount of man and woman hours, as my wife "kept the store" at the office all that time, that that case cost me;—nor the nerve and physical energy that was expended. I can tell you that the gross dollar receipt during that two year ordeal did not amount to more than $500.00. No, we were never paid in our long list of civil rights cases, not even court costs. We never asked nor would we accept money for such services. We felt a total commitment from the time we suffered the personal sting of denial and rejection when my wife and I entered restaurants and theatres, only to be refused. We wanted to do all in our power to destroy such practices from our community so that other Blacks would not face such obstacles in their path, and girls, at the tender ages of 6, 8, 10 on through high school into second class, the future.

Time and space prevents enumeration of many exciting and interesting events that occurred during the long years of my trial and appellate practice here and in other states. Mention of a few should be made to indicate the passage of how time and the events of intervening years have produced meaningful social changes. First, a few things on the minus side. Very frequently I was called to Southern states on civil rights cases as well as to represent my people in both the criminal and civil courts. It was necessary to have a local lawyer move your admission. Invariably, before going South, I would consult my Harvard Law Directory to find a Harvard lawyer to make this motion in the 1920's, '30's and '40's there were no black attorneys in any of the small Southern cities and very few in the larger ones. I usually could find a Harvard Lawyer. They are all through the South. There was a very important criminal case involving a Philadelphia Negro of good repute and employment who drove to his home in South Carolina on a visit in the late '40's. While driving his car in a little country town, his car struck a little white girl, who was playfully chasing another girl across the road. The child died as a result. He was arrested and scared to death, called his family in Philadelphia.

Thereafter they called me to represent him. I consulted my Harvard Directory. Time was important in such a case, so I decided to telephone this lawyer. I told him that we were fellow Harvard men and wanted him to move my admission. The greeting was extremely cordial. He knew of the case because the little country paper had made it a big news story, a black man from the North driving, of all things, a big Cadillac causing the death of a little white girl. He said he would meet me at the airport but I told him I would not cause him this trouble and we decided to meet at his office. From his voice I knew he was a deep down Southerner. I did not want him to know who I was until I could see him face to face and talk to him. His office was, as expected in this little town, a one story affair with a large front room and an office in the rear to which I was never invited to enter. There was a young lady at the desk when I entered. She went to the rear and took my card. The lawyer came to the front room and said, "Oh yes, so you're Alexander"—No "Mr." (Very reminiscent of Mr. X in Phila. in 1923). "Oh yes." "Well the court doesn't open till 10:30 a.m. It is now 9:30. The Court House is just 2 blocks down the street," he said, pointing to it "I'll meet you there and introduce you to the Judge."

To bring this all too sad experience to an end, let me say that when I entered court I, a lawyer, was compelled to sit in the segregated "colored" section of the court. My lawyer friend never asked me to sit in the lawyers' section. I was hastily moved for admission in almost inaudible tones. The court only nodded and said, "Take a seat next to the prisoner." My kind "friend" from Harvard left the court room without more ado and that was the last I saw of him. The case lasted three days with interminable intermissions for the Judge to speak to any number of assorted people in his chambers. At lunch hour I went with the assembled blacks, mostly country folks, to eat at a fish fry stand down the street from the Court House. I shared a bedroom with the young son of the local Baptist Minister, of course, black! The defendant was totally blameless. He was guilty of nothing at all, save the fact that he was black, from the North, and caused the death of a little white child. Perhaps his *worst guilt* was that he drove a "*brand-new, cream-colored, Cadillac car.*" How the prosecution pounded on that to the jury! The poor fellow had to stay in jail until his insurance company's agent, whom I knew, produced the policy to prove its limits, and the full amount in a certified check in settlement.

Now for an experience on the humorous, but deplorable side.

During and after my years as President of the National Bar Association, in my effort to organize the black lawyers throughout the entire country in a well-knit organization for their own uplift, as well as to make them available for service to Negroes, I would travel throughout the country, especially the South. On a trip to Miami, in the middle thirties, our plane ran into a severe thunder storm over the Carolinas. Even on that prime route, New York to Miami, in those days the trip was a two motor propellar driven aircraft, making several stops en route, and it took many hours. No fine two-hour, non-stop jets in those days. I was a curiousity—a black man riding an airplane!! We had a two hour layover and an almost entire change of passengers at Columbia, South Carolina.

During the lay-over a white newspaper correspondent wanted an interview. I was surprised he knew me. It turned out he didn't! He just found out, according to the airport authorities, that I was the first "Negro" that ever came into that airport as a passenger. Great news!—he wanted a story. He gave it a "big play," and when I returned home there I was, picture and all and the story.

But when we were airborne we ran into turbulence. You never saw how quickly those stony, sallow-faced passengers, with rain and lightning blazing in the sky, suddenly got warm and friendly and so very conversant with this black, total stranger. They even commented "Suh, you shore are calm through all this. You must have great faith in this plane, or the Lord." I didn't show it, but I, too, was scared to death. Then at least a half dozen of the men opened their brief cases and took out some good old Southern Bourbon and passed it all around. I passed it up. They even began calling me "Brother." Draw your own conclusions. An old Southern myth is, "It's always good in time of trouble or danger to have a black man in your company." Ask any World War I, World War II or Vietnam Veteran.

Finally, the pathos and horror of it all. When we arrived in Miami, three hours late, my lawyer friend had left, thinking perhaps I had alighted at one of the stops. The cheerful passengers, knowing the airport, teamed up and look the few taxis that had waited. They never thought of this black "Brother" then. It was about 1:00 a.m. and very dark. I realized in the '30's no white taxi would take me. There I was all alone. I saw what appeared to be a cab about a block away. I walked down and true enough it was a cab, lights out and the driver curled up sound asleep. I didn't say a word, opened the rear door and quickly jumped in, closed the door to put the light out. The driver, half asleep, only half turned around and said . . . "where to?" I mumbled some address which I am sure he didn't get, and I didn't want him to get. He drove on and on and on.

If you know that old airport you drove miles and miles along a causeway before you come to civilization. Then a few miles out he apparently gained his sense and said, half turning, "Where to Mister, I didn't get it?" I thought it better to give the correct address, hopefully to get to my destination. So I gave the address of and name of Mr. T., the leading black lawyer in Miami, now deceased. The driver suddenly stopped, pulled over to the curb, threw on his lights and said, "I can't take you there, that's Nigger Town and we're not allowed to drive niggers anyway." I pleaded and pleaded with him but to no avail. I begged him at least to take me to the next overhead light about a mile distant which he did and, out I was put. It had begun to rain again, not a store or person in sight. About an hour later there came around the corner at that light a taxi going to the airport, with a black driver, and, I learned, owned by a black taxi company. He took me to my destination, with pleasure and profit. I learned from him that a black taxi driver could take a white passenger but never—no never, the reverse.

There is so very much more to tell you of personal experiences, much of which would shock you, much would awe you, and much will inspire you, and fill your heart, as mine has been filled over the last 15 years, with the feeling that America has grown in its realization that is has wilfully and deliberately denied its most faithful and loyal citizens, their black fellow Americans, their right to an equal opportunity in the fundamental requirements, such as education and training in all the skills necessary to become first class citizens, free of segregation and discrimination. Now they must do something about correcting those wrongs.

America and the American Bar has made great, and in some instances rapid strides to correct their sins of omission and commission during the 20th Century. The Philadelphia Bar Association has been the leader of all American Bar Associations in this respect. Being the oldest association of lawyers in the English-speaking world, I take great pleasure in stating this as a fact. But it took a new type of leadership and a vigorous and active membership to reach this goal. Men of the quality and determination came to realize that lawyers must become leaders in helping to solve the social-racial, economic and employment problems. The legal implication of those problems came to be recognized by the leaders of our Bar Association beginning in the early 1950's.

Before that date, I must frankly say our association failed to grasp such meaning. The immediate Past-President of the American Bar Association, the Honorable Bernard G. Segal, was the first of our Chancellors to realize the responsibility of the lawyers as suggested above. It was then, for the first time, Negro lawyers in Philadelphia began to attend the meetings and gained membership in more than a token way, on all of the Bar Committees. Today one serves on the highly prestigious Board of Governors, another is Secretary of the Philadelphia Bar Foundation and I modestly say she is Mrs. Alexander. Black lawyers have for nearly 15 years been members of such committees as the Board of Censors, Judiciary, Junior Bar, Legal Aid, Criminal and Civil Law, Civil Rights, Corporation Law, in fact all of the committees on our calendar. I cannot speak too highly of, and must acclaim, the tremendous advance of our bar under the powerful leadership and commitment to racial and social reforms instituted by such men as Robert L. Trescher, Arlin Adams, Marvin Comisky, Lewis H. Van Dusen, Jr., Louis J. Goffman and the dynamic, brilliant, totally dedicated and devoted, indeed consecrated present Chancellor Robert M. Landis. As a result of the reforms just mentioned a new spirit of commitment to social and racial reforms pervades our entire Bar. Of the top 10 law firms with lawyer personnel from 40 to 80 in our city, eight of these have a black lawyer on their staff. Included in this list is the same lily-white totally WASP firm that excluded the author of this article back in 1923. The writer has been importuned during the last 10 years by at least 50 of our top lawyers, Jew and Gentile alike, to find for them top-flight or even "high grade, not necessarily Law Review Negroes" for their firms. The very day that I was writing this article my phone rang for such a person, the inquiring being from one of our most prestigious law firms.

As I mentioned above this all began some 15 years ago and I am delighted to acknowledge some part in it. The story is very interesting but much too long to relate for this article. But I should mention the first man to "integrate" our Philadelphia law firms. It also has a political significance. Due credit should be given to a very dynamic, nationally known, liberal Democratic leader, Honorable Richard Dilworth. He was Mayor of Philadelphia at the time, and I was one of his strongest right arms in our new Reform City Council. He wanted a black man in his law firm, and I could think of no better person than the Honorable William T. Coleman, Jr. The latter is so well known that only a word about him is necessary. Mr. Coleman was magna cum laude and Law Review at Harvard. He was the first black law clerk for our United States Supreme Court, serving with Mr. Justice Frankfurter. He was appointed counsel to the Warren Commission and most recently the United States Representative to the United Nations. However, most important of all, he was my most valuable and ardent associate counsel in the famous *Girard College* Case which we won after two years litigation via a U.S. Supreme Court decision in 1958. As the result of a very unexpected removal of the "Public Trustees" of this vast hundred-million dollar estate of the great Stephen Girard, who once traded in slaves, black boys were still denied entrance to this school. However, under Mr. Coleman's continuous dedicated fight to break this tradition, after my appointment to this court, and with Mr. Dilworth's full support, the court once again established the right of black boys to education in what was undeniably a school for the entire citizenry. Mr. Coleman is considered one of the most highly regarded, respected and able members of our great Bar. The famous *Girard College* case is in the judgment of legal scholars one of the most interesting, complex and intriguing cases at the Bar of America and indeed, in world law history.

I must close this long, but I hope you will find, interesting legal—social—political history of Philadelphia from 1923 to 1970, with this statement. Great, indeed tremendous changes have taken place in the social and legal fields. They have been due to the total commitment of devotion and dedication to these goals by so few blacks in these fields. This is not to say that our church and fraternal leaders were not interested. Indeed they were and they supported us every inch of the way. So did the overwhelming number of the poor and untrained, the denied and oppressed. But how much better would it have been if the knowledgeable whites, the well-to-do middle class and wealthy whites who knew how we blacks were oppressed, denied, deprived and what the end result must necessarily be—what it *is* today.

And today—we must pay and pay and pay for the sins of malign neglect of the past, or there shall be no America for us to sing its praises.

Mr. DELLENBACK. If you were to create such a foundation, would it have innovative, creative programs?

Mr. BLAKE. One of the real problems is, for example, at one point to try to put together a program to see if we could get more low-income students to college. I think we have eight different funding sources in a single program, and that is really a nightmare.

If you are going to try to do anything that has any impact, you can't do it in a single program. Something like this foundation would enable you to make an argument for a stronger program that would be of some national significance.

Mr. DELLENBACK. So you confirm your support for such a foundation?

Mr. BRADEMAS. I have one question, Dr. Branson, touching on a question that Mr. Dellenback alluded to earlier. What would be the effect of the abolition of teacher cancellation at predominantly black institutions?

Mr. BRANSON. I don't think it would have any effect, sir. I think it is very minor.

Mr. BRADEMAS Do you have a substantial number of students who are preparing to be teachers?

Mr. BRANSON. Predominantly black colleges have a disproportionate number of teachers. More of Lincoln's students have been going to professions. Dr. Dowdy would know more about that.

Mr. DOWDY. That has changed in the past 10 years dramatically. When I went to A. & T., there were 78 percent of the students going into teaching; and our last count, it was down to 39 percent because of the opportunities opening up in other fields.

Mr. BRADEMAS. Mr. Ruth?

Mr. RUTH. No questions.

Mr. BRADEMAS. You have been most helpful to the members of our subcommittee and we appreciate very much your taking the time to be with us today. I hope we will see you all again.

Our next witness is Dr. Timothy W. Costello, the deputy mayor and city administrator of the city of New York, accompanied by Lawrence N. Gold. Dr. Costello, I think you can see that the hour is moving rapidly and I would like to suggest, if it is agreeable to you, sir, that we include, as if read, both your own statement and that of Mr. Gold in the transcript. Perhaps you could summarize the major thrust of your statements and thereby give us an opportunity to put some questions to you.

Would that be satisfactory? I think you will appreciate the rather unusual circumstances we have today.

(The documents referred to follow:)

STATEMENT OF DR. TIMOTHY W. COSTELLO, DEPUTY MAYOR-CITY ADMINISTRATOR OF THE CITY OF NEW YORK

Thank you, madam Chairman and gentlemen. My name is Timothy W. Costello. I am Deputy Mayor-City Administrator of the City of New York.

Accompanying me today is Mr. Martin Rose, Executive Director of the New York City Urban Corps, and Mr. Lawrence Gold, Director of the Urban Corps National Service Center.

Perhaps it is rather unusual for a city official to appear on behalf of higher education legislation. That has traditionally been the province of academia, and local government—to its own detriment, I believe—has generally maintained a respectful distance.

But we in New York City have a very direct stake in the legislation at hand, for it is through the College Work-Study Program that we are able to operate a uniquely effective and successful program for involving young men and women in the problems and prospects of our City and its government. Our involvement in this area is very nearly as old as the Higher Education Act itself, going back to the early spring of 1966 when the New York City Urban Corps was established as one of the first new programs of the administration of Mayor John V. Lindsay.

The idea behind the Urban Corps was to bring together the city and its young people, to offer college students the opportunity to deal directly—and constructively—with the needs of their community, and in the process obtain a unique educational experience which could not be duplicated within the confines of the classroom or lecture hall. We wanted to combine service with learning, with the additional—and perhaps selfish—motivation that a meaningful, successful experience might serve to stimulate interest in public service careers.

The concept of student internships in local government is certainly not a new one. We all know of a great many programs which have involved a few students at a time in the inner workings of quite a variety of communities, including our own. But the Urban Corps is unique in developing a way to provide a massive infusion of talented and motivated young people to help cope with the enormous problems which face us, in ways which can have—and indeed most surely have had—a very significant impact upon the City.

Through the College Work-Study Program, we were able to stretch an initial city investment of one hundred thousand dollars into a new kind of program able to support the involvement of over one thousand young men and women during the summer of 1966. That is TEN TIMES the number of students who could have been accommodated were we limited to our own resources, and we gained the added advantage of focussing these resources on those students who not only had the motivation to become involved with their City but who also had a demonstrable need for the financial assistance this program could provide.

From its very beginnings our Urban Corps has been the largest single off-campus employer of Work-Study supported students. Since 1966 well over fifteen thousand young men and women have taken part in the New York City program, and thousands more have participated in the dozens of local Urban Corps which have been established in other communities throughout the nation. These students come from hundreds of colleges, and they represent every academic discipline and level, from anthropology to zoology, from entering freshmen to doctoral candidates.

It is not, however, mere numbers which distinguish the Urban Corps. The most significant element is the impact these thousands of young people have had upon our City, and indeed the effect of the City upon them.

We do not view these students as simply warm bodies, to be used wherever a pair of hands is needed. They are recognized as skilled and motivated individuals, willing and able to perform significant, sophisticated work in the public interest.

The work they have done, the assignments they have carried out, have indeed had dramatic effects upon the delivery of services to the people of New York. They have enabled us to vastly expand our efforts in the areas of pre-school education, addiction prevention, public health and recreation. They have carried out detailed surveys of our traffic courts, land use and carbon monoxide pollution. They have taught prisoners how to read and how to enjoy poetry, and they have helped ex-addicts obtain their high school diplomas. Teams of Urban Corps students have helped reorganize our emergency ambulance service, examined discriminatory food pricing practices and brought displays from our great Metropolitan Museum into ghetto streets.

They have brought government closer to the people, receiving complaints and explaining services. Without displacing any regular employees—and indeed with the wholehearted support and cooperation of our municipal labor unions—they have become a highly valued supplement to our city workforce. In fact, these students have become so respected as a valuable resource that our own commissioners vie with each other for the assignment of Urban Corps interns to their agencies.

But this is far from a one-way street. Through their direct and intimate exposure to the operations, priorities and problems of New York, these young people have gained a unique educational experience. They have had the rare opportunity to test academic theory against the harsh reality of the outside world. I know from my own experience as a college professor—and this is supported by the comments of a great many college teachers and administrators—that when the students return to their classes they carry with them a far deeper understanding of the dynamic forces which affect the administration of their city, and they are far more realistic in their approach to dealing with its problems. Certainly the Urban Corps does not make the students apologists for the ills of our cities, but it does enable them to comprehend the complexities and interactions which must go into decision-making and program implementation. They unquestionably become better informed citizens—and in my view that means that they are more effective citizens.

I do not base these comments on mere surmise. Since the inception of the Urban Corps we have conducted extensive evaluations of the effects and effectiveness of the program, and we have paid special attention to its impact upon the participating students. While I will not attempt to go into these studies in detail, I do want to mention two very significant findings.

We asked the students what they thought of local government before joining the Urban Corps. As everyone expected, the response was rather negative, with the clear feeling that city government was inefficient, unimaginative and closed to new ideas.

We then asked the students to evaluate the agency in which they were then working. The response was dramatically different. *Their* department was efficient, imaginative and open to new ideas! This pattern was the same virtually without regard to the agency to which the student was assigned, dependent almost entirely upon the student's own perceptions of satisfaction and meaningful work.

This extraordinary change in attitude is indicative of the tremendous learning experience the Urban Corps offers, and its enormous potential as a recruitment device for our beleaguered communities. In fact, our surveys show a marked increase in interest in public service careers as a result of an Urban Corps internship, and virtually every city agency and department has its cadre of Urban Corps alumni who have returned after graduation to become regular city employees.

I have gone through this rather lengthy introduction to emphasize why we are so concerned with the future of the College Work-Study Program. Without this resource it would be totally impossible for us to maintain the Urban Corps program, and we would have to cease offering thousands of deserving and talented students this unique opportunity, not to mention our own immeasurable loss of their skills and energy in meeting the urgent needs of the City and its people.

I see us facing two major problems. One is the continued availability of the College Work-Study Program as a resource for Urban Corps-type activities, and the second is the assurance that a significant proportion of these funds will in fact be allocated by our colleges and universities to support this valuable service-learning experience.

It is of paramount importance that it remain in the interest of the institutions to allocate Work-Study funds for Urban Corps programs. It has been a long uphill struggle to convince college administrators and financial aid officers that there is great value in such a partnership, and I firmly believe that every effort should be made to encourage the use of Work-Study money for off-campus work in the public interest. While the student aid officer must certainly have the freedom to develop the most effective programs of assistance for his students, I think that it is essential that there be clear incentives for the commitment of Work-Study resources to Urban Corps-type activities.

The proposal to allow for the shifting of funds between various aid programs makes this issue even more important. Certainly where good Work-Study assignments, both on and off-campus, are not available, the college should be able to use the funds to provide other forms of aid for deserving students. But I am fearful that some administrators may opt for transferring money out of Work-Study simply because of supposed administrative simplicity of straight grant programs. It would indeed be tragic if the enormous education and community service potential of the College Work-Study Program were to be dissipated for reasons unrelated to the primary purposes of giving the students the best possible mix of assistance and experience. The educational benefits to the student of programs such as the Urban Corps are as real as the cash he is paid, and the enormous services to the community as important as flexibility in administration.

I urge you to consider, through direct legislation or by directing the Commissioner of Education to promulgate appropriate regulations, explicit requirements that a substantial portion of Work-Study funds be allocated for off-campus public service activities. Of course, this would have to be based on the availability of such off-campus programs as the Urban Corps, but I firmly believe that this concept is well enough established to insure the opportunity for constructive community involvement for many more thousands of young men and women eligible for Work-Study grants.

I have seen, though the Urban Corps, how the Work-Study Program helps needy students work their way through college, and I strongly support efforts to insure that these funds are allocated on the basis of demonstrable need. The College Work-Study Program is unique in that it provides substantial assistance to students based on the resources they require to continue their education, rather than being based upon some arbitrary income levels which ignore such critical variables as cost of education. I believe that this is the only responsible way to determine student eligibility, and we urge its retention.

I am also concerned that eligibility for the College Work-Study Program may be so limited, and so much emphasis put upon other forms of aid, that no student, virtually without regard to his financial status, would be able to earn enough through Work-Study to be able to participate in an Urban Corps program for any significant period of time. The average student should be able to earn about one thousand dollars during his three-month summer vacation, but if Work-Study grants are so limited that most students would exhaust their allocation in a few weeks, the costs of training and supervising the student for a substantive community service role would become prohibitive, and our program would be seriously injured. Certainly the great educational benefits of direct community service would be all but obviated by so severely restricting the ability of eligible students to perform useful assignments.

We urge the continuation of Work-Study support for graduate and professional students. These young men and women can offer extremely valuable services to their communities, and their education can be much enhanced by this opportunity. I have seen many students continue with the Urban Corps for several years, moving from undergraduate to graduate school, and then upon receiving their final degree, returning to the City to become a regular member of our staff. This sort of dedication and recruitment potential should be encouraged by all means, and keeping Work-Study open for graduate students will serve that purpose.

We likewise support extending the program to include part-time students and widening participation for proprietary institutions, but I must caution that simply adding more eligible students without likewise increasing the available funds will only serve to make Work-Study less effective by dropping grant levels below the minimums needed for meaningful community participation.

Let me touch for a moment on another section of the proposed Higher Education Act of 1971—the new portions of Title Nine. I am delighted to see the inclusion of a program of internships for political leadership, as it is called in the bill, for this is very similar to an effort we have launched in New York City to bring extraordinary students into top-level assignments for year-long internships. I have just completed taking part in the selection process for our third group of New York City Urban Fellows, and I can tell you that these young men and women are among the very top students in the nation. What strikes me is that they are willing to take a full year away from their studies, perhaps receiving only a fraction of the academic credit they would have received had they remained at their college, to tackle sophisticated assignments with the city government. The salary is minimal, coming as it does from a combination of city and foundation funds, but the educational benefits are enormous and two hundred fifty students applied for twenty positions. I believe that the success of the New York City Urban Fellows Program augers well for the concept set forth in Title Nine, and we support it wholeheartedly.

I can summarize my feelings on the importance of Work-Study support for the activities of our Urban Corps with the observation that through this program we have been able to accomplish four very important goals—using resources designed to carry out only one of these functions. We have brought a substantial new resource of talented and motivated young people to bear on some of the most critical problems of our city; we have provided these students with a new form of educational experience; we have, through substantive, meaningful internship assignments, affected student attitudes towards urban government and careers in the public service; and we have helped needy students work their way through college. All this has been accomplished for the same Federal and local dollar originally designed simply as a form of student financial aid. With funds as scarce as they are, this sort of multiple use of resources should be encouraged in the strongest possible manner.

In closing, I want to take this opportunity to thank the members of this Committee for their long support of the College Work-Study Program. Your foresight in developing this resource has made the Urban Corps possible, and our City and its people are in your debt.

I have with me Mr. Lawrence Gold, director of the Urban Corps National Service Center. We are very proud that more than seventy cities, counties, regions and states throughout the nation have chosen to develop their own local Urban Corps programs, and I am likewise pleased that these programs have chosen a former associate director of our own Urban Corps to head up the national office. The Service Center is a joint project of the International City Management Association and the Urban Corps National Association, with the support of the Ford Foundation. Its purpose is to support the continued development of the Urban Corps concept, and to provide assistance to the scores of local Urban Corps programs.

Mr. Gold has a written statement he would like to submit for the record, and he will be available to join Mr. Rose and myself in answering any questions you may have.

STATEMENT OF LAWRENCE N. GOLD, EXECUTIVE DIRECTOR, URBAN CORPS NATIONAL SERVICE CENTER

Madame Chairman and Members of the Committee:

The Urban Corps National Service Center, which has just been established in Washington, D.C., is jointly sponsored by the International City Management Association and the Urban Corps National Association, which represents the local Urban Corps programs. The Service Center was devised to further awareness and support of the Urban Corps concept, to offer technical assistance to Urban Corps programs and encourage new local efforts, and to bring the institutions of government, education and the student population closer together in refining the concepts of student service and learning. We hope that in presenting this testimony we will have served those ends well and we are very grateful for the opportunity to do so.

The Federal College Work-Study Program has served a critically necessary and worthwhile purpose in helping so many students finance their own education. To over fifteen thousand students this year alone, however, the Work-Study Program has meant much more than just financial aid. It has meant an opportunity to take part in a local Urban Corps program: an opportunity to perform genuine public service and gain a priceless educational experience in the process.

Urban Corps programs, locally developed and locally administered, have been established by over seventy large and small cities, metropolitan areas, counties and even states. Each provides internships for college students in nearly every aspect of local government and public service. Working full-time during vacation periods and part-time during the school year, students are performing activities as varied as legal research fiscal planning to tutoring teenage drop-outs and manning air pollution monitoring stations.

Ranging from college freshmen to graduate students, Urban Corps participants have been given responsible and meaningful career-oriented assignments, tailored to their own qualifications, interests and goals. They have enabled their communities to provide new services and improve the old, while they test academic theory against the world beyond the classroom and make a real and fitting contribution to the governmental process.

Each Urban Corps relies upon the Federal College Work-Study Program to make its operations financially viable. Under the Work-Study Program, an Urban Corps can contract with participating colleges to employ some or all of their Work-Study eligible students. The determination of Work-Study eligibility still rests solely in the college's discretion: the financial aid aspects of the Work-Study Program are not tampered with or hindered or altered in the least. But the students who once worked on campus in the cafeteria or the library or a clerical office can now work instead in the city manager's office, or the county engineer's office, or the youth programs office or the hospital hematology lab. The locality contributes the matching share of Work-Study salaries.

We are grateful to the Congress for providing this means by which one valuable end, that of financial assistance, has been applied to complementary educational and social ends. Work-Study has made the Urban Corps possible, and we would like to think that we have returned the favor in adding new dimensions to the concept and practice of Work-Study.

In considering new legislation regarding the Federal Collegs Work-Study Program, we ask the Committee to be aware of the fact that substantive programs like the Urban Corps depend upon your deliberations, and to take into account the effects of such legislation upon these programs in reaching your conclusions.

For example, the provisions of H.R. 5191, coupled with the supporting administration testimony, would appear to so severely curtail our pool of available college students that each and every Urban Corps would very likely collapse overnight were it passed.

The maximum *combined* E.O.G. and Work-Study aid package to any student under the Administration plan would be only $1,000, and this only to students in the $0–3500 adjusted income range. College students working in an Urban Corps program during the summer earn about an average of $2.50 an hour. If they work forty hours a week for ten weeks they will earn $1,000; if they work twelve weeks they will earn $1,200. Although most Urban Corps programs offer part-time internships during the academic year, the bulk of Urban Corps opportunities are made available during the summer, when students have the maximum time and motivation to pursue a real commitment to their off-campus assignments.

Therefore, under the Administration's plan, only those students in the $0–3500 range could earn enough money (about $1,000) to participate in a summer Work-Study Program. Any other needy college students, even those whose adjusted income was lower than $4,500, would receive too small an amount to make them available for summer Urban Corps.

The pool of students in this very lowest income range, particularly in the immediate future, would just be too small to keep the Urban Corps viable anywhere, even if the entire aid package of such students was given in the form of Work-Study rather than E.O.G. But under the logic of the Administration's plan, it is highly unlikely that even those students who do receive a $1,000 aid package would get *all* of that aid in the form of Work-Study rather than E.O.G. In that case, even the $0–3500 students would be largely unavailable for the summer Urban Corps.

During the academic year as well, the pool of available students would very likely be drastically reduced under the provisions of H.R. 5191. Even students in the $5,500–6,500 income range would only receive a combined E.O.G.-Work Study allotment of $360. If *any* of that money was received in the form of E.O.G. rather than Work-Study, the extent of the student's participation in Work-Study would generally be of too short duration to support the training and preparation expenses involved in employing him through the Urban Corps.

Furthermore, under Section 413(c) of the bill, the student could opt for a loan in place of Work-Study and, with the amount of aid so negligible, many students might be unwisely tempted to exercise that option rather than participate in a Work-Study Program. Also, many financial aid officers would find it infinitely more convenient in dealing with such small sums to channel the bulk of it through E.O.G. rather than Work-Study.

Finally, the elimination of graduate students from the Work-Study program under the bill would eliminate the most skilled student manpower available from local Urban Corps programs.

A primary goal of the Urban Corps National Service Center is to extend the opportunity for Urban Corps involvement to the broadest possible spectrum of students. While H.R. 5191 would eliminate *any* substantial involvement in Urban Corps programs, measures such as H.R. 7248 pose a much more favorable picture for the continued flourishing of the Urban Corps concept.

H.R. 7248 appears clearly intended to retain the Work-Study Program as a distinct entity and to insure that it will in fact remain a broadbased program. It bases Work-Study assistance on the student's available income *and* his costs of education, rather than income level divorced from any other relevant considerations. However, it is our hope that the language in Sections 421 and 424a, together with the enforcement strictures in Section 467, would not in any way result in deterring vigorous oversight to insure that those students who need Work-Study assistance most are those who in fact receive it.

The retention of graduate student eligibility is a beneficial feature of H.R. 7248, as is the extension of work-study eligibility to half-time students.

The intent of Sections 424b, 466 and 467, taken together, appears to be as follows. If a college financial aid officer determines that a given student is eligible for an E.O.G. allotment, when the school's available E.O.G. funds are exhausted, then the officer may transfer some Work-Study monies to provide an E.O.G. for that student, if he feels it in the best interests of his financial aid package. Students who are *not* inherently eligible for E.O.G. would receive such grants in lieu of Work-Study only in those cases where no Work-Study opportunities are available.

There can be little quarrel with such a purpose. However, it must be made abundantly clear, perhaps clearer than the language of Sections 466 and 467 implies at present, that the legislation, the Congressional intent and the resulting administrative supervision is aimed at insuring that the financial aid officer's determination of eligibility for E.O.G. is subject to scrutiny and review according to real and enforced standards. If not, E.O.G. awards may be given to many students who would otherwise be available for Work-Study, simply because E.O.G. may be considered easier to administer by the college.

Although the aid officer must be free to determine a rational financial aid "package" for his students, his discretion could be interpreted to the point where the standards for entry into E.O.G. and Work-Study were determined solely by him and became nearly interchangeable, while Work-Study funds were diverted wholesale into E.O.G. awards. Such a result would have a gravely deleterious effect on the Urban Corps and sacrifice, for the sake of administrative expedience, the added opportunities offered by Urban Corps-type Work-Study programs. We certainly hope that steps are taken to avoid what we believe to be a dangerous and unintended result of these provisions.

We would also like to bring two factors to the attention of the Committee that have not yet been considered in proposals dealing with the Federal College Work-Study Program.

We believe that Urban Corps programs have demonstrated time and again that they can add dimensions to Work-Study that have been wholly beneficial, and which most on-campus employment simply cannot hope to equal. Yet although there are many internal pressures upon the aid officer to keep his students on-campus cutting lawns, stacking books, and typing professors' memos, there is no counterbalancing incentive from either Congress or the Executive Branch for schools to participate in public service Work-Study programs. The lack of any incentives of this nature, we have found, has served to hinder the development of local Urban Corps programs in a number of communities. Working such worthwhile incentives into allocation schemes among the colleges would aid Urban Corps-type programs enormously, and represent Congressional recognition of the special services such programs perform.

Secondly, operating Urban Corps programs have taken up many of the burdens normally assumed by the financial aid officer administering on-campus Work-Study programs. Urban Corps programs have variously assumed the duties of developing job opportunities and placing students, collecting, distributing and reviewing timecards, maintaining fiscal records and in some cases printing checks and distributing compensation. The college aid officer performing such functions receives an administrative allotment to cover the expense; an Urban Corps program, whether it is viewed as conducting such activities on its own behalf or on behalf of its participating colleges, receives nothing. In light of the severe budgetary crises facing so many communities, this lack of reciprocal machinery for off-campus Work-Study that is provided on-campus has posed a severe hardship and in some cases deterred the establishment of a local Urban Corps program.

Finally, the Urban Corps is gratified and excited about the new opportunities that can be opened for state and local government internships through Title IX of H.R. 7248, the proposed *Interns for Political Leadership Act of 1971.* This concept represents the second step in an Urban Corps service-learning experience: the step by which students with a career motivation in the processes of government are permitted to learn their craft at the highest levels and in the most effective fashion. Urban Corps programs are doing much the same thing today, and they are certainly committed to precisely the same goals. The Urban Corps National Service Center would hope to work closely with such a program and would offer our resources among students, colleges and city administrators, along with our expertise in developing college internship programs, to help make such an endeavor a great success.

Once again, I would like to thank the Committee for providing us this first opportunity to formally acquaint you with our work and to bring the implications of proposed legislation into focus in the context of Urban Corps-type student involvement programs.

URBAN CORPS PROGRAMS

NORTHEAST

Bridgeport, Conn.
Bowie, Md.
Hartford, Conn.
Washington, D.C.
Boston, Mass.
Buffalo, N.Y.
New York, N.Y.
N.Y.-N.J.-Conn. Metro.
Syracuse, N.Y.
Philadelphia, Pa.
Pittsburgh, Pa.
Baltimore, Md.
Metro, Baltimore

SOUTH

Birmingham, Ala.
Miami-Dade County, Fla.
Savannah, Ga.
Atlanta, Ga.
New Orleans, La.
Baton Rouge, La.
Winston-Salem, N.C.
Tulsa, Oklahoma
Memphis, Tenn.
Hampton, Va.
San Juan, P.R.

WEST

Glendale, Ariz.
Maricopa County, Ariz.
Scottsdale, Ariz.
Phoenix, Ariz.
Tempe, Ariz.
Compton, Cal.
Los Angeles, Cal.
Fresno, Cal.
San Bernadino, Cal.
Oakland, Cal.
San Francisco, Cal.
Boulder, Col.
Denver, Col.
Littleton, Col.
Seattle, Wash.
El Paso, Tex.

MIDWEST

Minneapolis, Minn.
Fort Wayne, Ind.
Indianapolis, Ind.
Des Moines, Iowa
Battle Creek, Mich.
Detroit, Mich.
Ypsilanti, Mich.
Duluth, Minn.
St. Louis, Mo.
Kalamazoo, Mich.
Toledo, Ohio
Cincinnati, Ohio
Cleveland, Ohio
Dayton, Ohio
Canton, Ohio
Evansville, Ind.
Madison, Wisc.
Wichita, Kan.
Grand Rapids, Mich.

STATE-WIDE PROGRAMS

Massachusetts
Pennsylvania
Vermont
Rhode Island
Nebraska
Nevada

STATEMENT OF TIMOTHY W. COSTELLO, DEPUTY MAYOR AND CITY ADMINISTRATOR OF THE CITY OF NEW YORK, ACCOMPANIED BY LAWRENCE N. GOLD, EXECUTIVE DIRECTOR, URBAN CORPS NATIONAL SERVICE CENTER

Mr. Costello. I very much appreciate the opportunity of being here. I appreciate your entering the copy of my statement in the proceedings of this committee. I would like also to add the statement of Mr. Gold, and I want to say that my testimony is, in general, consistent with the testimony of Dr. Branson's, which I just heard.

It attempts, however, to emphasize the fact that the work-study end of the Higher Education Act not only has made it possible for low-income students to attend college, but has served a variety of other extremely valuable social purposes.

I would urge the subcommittee in its deliberations to assure the fact that a work-study program which has made it possible for 15,000 college students not only to be aided financially in continuing their education, but also to be given a lesson, an important lesson in urban civics, to be given an opportunity of testing vocational skills and aspirations and to be recruited also into the field of urban service, that that particular program, which has served so many purposes, which has a multipurpose base be protected in the way the legislation is written.

I have particular reference to the possibility that if the thrust were to make it possible to eliminate work-study funds in favor of total grants, the country, and indeed the many cities of the country would lose an important work corps and the students involved would lose an important work and education experience.

Mr. Brademas. Does that statement, Dr. Costello, mean that you would not wish to see a full degree of flexibility or transferability among the several programs, one to the other? Is that the point of your statement?

Mr. Costello. Being a bureaucrat now and being aware so much of the difficulties of inflexibility, I hestitate to say that I am opposed to flexibility, but because of the fact that too much flexibility in this could, indeed, make it impossible for these students to have what we consider to be and what they consider to be a precious experience, I think I agree with the thrust of your question, Mr. Brademas.

Mr. Brademas. So you are saying, in your judgment, if they were permitted complete transferability of funds from one program to another, that a possible result would be that all the money would go into grants, let us say, and that you would simply see the work-study program and the Urban Service Corps in your own city disappear.

Mr. Costello. I think you have captured the thrust of my testimony better than my testimony does, Mr. Chairman.

Mr. Brademas. While we are at it, is there any other point you wish to make in summarizing your statement, with respect to college work-study and the Urban Corp?

Mr. Costello. I think, listening to the questions before in Dr. Branson's testimony, I know that there is a concern with whether this money will be allocated in such a way as to give preference to the neediest students.

I think you know that from the city's point of view, we do not select the students, we do not determine the criteria, but we are certainly in sympathy with recognizing the need to give preference to needier students, at the same time, hoping that those low middle income students will have an opportunity to gain access to the funds that are not made available to the neediest students.

Mr. Brademas. Let me ask you one other question, Dr. Costello, and that has to do with the title IX proposal for internships for political leadership. It happens that I am the author-sponsor of the Congresional Student Internship Act, so I am not unsympathetic to the purpose of this title, but I have found some people have said to me, it is one thing for Congress to authorize student internships for Congress or at the Federal level, but it is another thing for Congress to vote Federal moneys to be used for internships for persons who serve in State and local government.

Does this criticism make sense to you? Do you regard the kind of program contemplated in title IX as representing an incursion on State and local authority?

Mr. Costello. No. We have a brief 2-year experience that is related to the Urban Corp program, which was called the urban fellows program, which causes me to express total enthusiasm for this title IX feature.

We have been able to attract a very small number of very good, disciplined highly contributory groups of students who have served 1-year internships in city governments for the past 2 years and I can tell you they have elicited a positive response from mayors, deputy mayors, administrators, councilmen and members of our board of estimate.

Mr. Brademas. Who pays for it?

Mr. Costello. At the present time, this is under a Sloan Foundation Grant, which I regret to report to you is expiring this year. We are concerned that the budget crisis in New York City may make it impossible for us to continue this, but the mayor is carefully examining this because of the importance of the program.

Mr. Brademas. So the question of the source of revenues is not one that causes you——

Mr. Costello. This is money that came from outside sources.

Mr. Brademas. Mr. Dellenback?

Mr. Dellenback. Thank you, Mr. Chairman. I appreciate, Mr. Costello, your being with us. I see that the principal thrust of your testimony deals with the matter of work-study. I can understand why, in view of your comment.

Would there be other aspects of this besides what you have said in your testimony that we ought to give consideration? Straying just a bit from the matter of work-study, are there other aspects of this that you have had any experience on that we ought to give consideration to?

For example, while many of your students have been in the urban public work-study, have you faced the question of loans that many of the students have had to take out in addition to work-study?

If you have, have those loans been oppressive? Would you have any expertise you could share with us as to whether we ought to place limits on loans in addition to grants?

Mr. COSTELLO. I think I would not want to come before you and give expert testimony in that regard. We have had experience with a very large number of low-income students who have had to be very imaginative in finding additional ways of making it possible for them to add to the money that they were able to earn, and in some cases, to piece out a means of staying in New York City and at the same time, holding onto the money that they were earning.

As someone who went through college on a very low income himself, I am keenly aware of the fact that facing a possible $20,000 debt after finishing college might frighten some young people away from college at that point.

But beyond that, I think I would not want to get involved in a discussion, because I am not directly involved with recruitment and selection of college students from the point of view of a college administrator.

Mr. DELLENBACK. Do you have anything you could share with us on the total number of dollars that ought to be available to a student in New York City in the way of either work-study or EOG, in order to enable him to go on with his education?

Mr. COSTELLO. I can understand the importance of your question. I think it is important for me to say that in order for the Urban Corps to continue as a very meaningful experience to the student and the cities, in more than 70 cities throughout the country, it should be necessary for the average college student to earn a minimum of $1,000 during a summer work experience.

The cities invest a great deal of time in recruiting, training, developing jobs. It would not be feasible to do so if the students were only allowed to work for a short period of time.

In other words, if they were going to be able to earn anything less than $1,000, the cities would not find it feasible to devote the amount of energy in planning programs for such students.

Mr. DELLENBACK. Is your Urban Corps strictly a summer program?

Mr. COSTELLO. No; it is not. We also have an academic year program too, where students on work-study and loan students are able to work 15 hours a week. We have had, in the past year, some 900 students throughout the academic year working 15 hours a week in important city agencies and at the same time, attending school full time.

Mr. DELLENBACK. You just referred, however, to earning $1,000 during the course of a summer. What about people who attend the year-round program? What if a student wanted to work on this 15 hour per week during the school year but not necessarily during the summer, what would you say then about the total amount of work-study that ought to be available or must be available to him if he is to go on with his education?

Mr. COSTELLO. Of course. New York City is a high cost of living city. College costs are high. I would hesitate to want to put a limit on it. You see, we are dealing with students, as Dr. Branson pointed out, many of whom can expect no additional support from their families whatsoever.

Many of them, not only pay the cost of their education, but also sustain themselves during these 4 years of college. I could say, for example, $2,500 might do that. I can't imagine anyone going to college and sustaining themselves in New York City for $2,500.

Really, what I am trying to do, Mr. Dellenback, is avoid suggesting an upper limit. Here is where flexibility is needed.

Mr. DELLENBACK. We wish the Federal Government had sufficient dollars so we could take care of all New York City's problems, as well as the rest of the Nation's problems but we really must understand the very serious economic situation.

Mr. COSTELLO. I do appreciate the fact that you are sympathetic to our point of view and I do not disregard the fact that the Congress must make allocation decisions across the board and will try to do the best this committee can to meet the educational needs of this country.

Mr. DELLENBACK. I have one other question that has to do with the matching feature of this type of grant. Is it important either that it stay or be removed?

Mr. COSTELLO. We have been able to do with it successfully. I do have to point out that faced with this current budget crisis and tax levy funds which we devote to Urban Corps and for the work-study program have caused us to have to restrict it just a little bit.

I would like to go along again with the point that Dr. Branson made, which is that there ought to be some conditions where the Office of Education, under guidelines perhaps developed in the legislation, can remove the 20-percent matching.

We have been able to live with the 20-percent matching. As a matter of fact, we moved from 10-percent to 20-percent matching and we have been able to live with that. It has always been a burden for us, but we are able to live with it under most Urban Corps programs.

Mr. DELLENBACK. Thank you very much.

Mr. ROSE. May I say a word, please? I am Martin Rose, executive director of the New York City Urban Corps. The city, of course, is in need of funds, as you are well aware. We have certainly been asking for Federal help and for State help for the problems in the city of New York.

Nevertheless, the matching provision is an important real element in our program. If it did not exist, the students might possibly all be working at colleges and not in the same type of jobs that are available to them through the Urban Corps.

So this is a very important thing. What Dr. Costello said in his testimony is, there has to be in the legislation some provision which would show that the colleges should be sending their students off campus to the various institutions that need them, such as New York City.

Mr. DELLENBACK. Do you see it as a positive advantage to the matching feature?

Mr. COSTELLO. Yes, in the sense that it does provide incentive for the colleges to enable their students to have the additional value of an urban experience to test out educational theory and vocational aspirations.

Mr. ROSE. There is another important point there. It would appear that the elimination of the matching feature might very well restrict the limited number of funds to a still smaller number of students.

Mr. DELLENBACK. This is one of the questions I asked Dr. Branson, as you remember, and his reply to that was, no, they didn't think so, but I see your perspective is somewhat different. Thank you, gentlemen, very much.

Mr. Costello. I wonder if I might just ask permission to allow Mr. Gold to give a very brief message and also to ask you to accept for insertion in the record the testimony that he has prepared?

Mr. Gold. Thank you. First, I would like to point out that the Urban Corps is not just a New York City program. There are over 70 across the country. I would just like to note that the difficulty, if any, with H.R. 7248 might lie in the last section, section 467, which may appear to so severely limit the Commissioner's ability to impose guidelines for either EOG or work-study eligibility that, in fact, the universities would have unwarranted leeway.

The university might be placed in a position where the requirements for EOG and work-study became virtually interchangeable without any sufficient administrative oversight. Under those circumstances, I am convinced that work-study would suffer.

EOG is very easily administered by the university, and work-study is considered somewhat more difficult to administer. Without eligibility guidelines for EOG, many students who should be on work-study might be given EOG's instead. As a result, because Urban Corps and off-campus work-study experiences, in general, have added dimensions to college education that just could not be had in any other way, I would hope that work-study does not suffer for the sake of administrative expedience and that the Commissioner would be empowered to provide administrative oversight to insure there are standards for EOG eligibility and work-study that are real and enforced.

Mr. Dellenback. I read that you are saying that you feel they should not be fully interchangeable. There would have to be some limited interchangeability of funds, but you would not just say turn it loose either way.

Mr. Gold. Say the bill reads as follows: If a college financial aid officer has more students eligible for EOG than there is available EOG money, then he can transfer some of his work-study money to give EOG grants to these excess students.

If there are no work-study opportunities available in the community, then a student who was eligible for work-study and not EOG could receive an EOG grant instead.

That kind of position we can't quarrel with, as long as there are real standards for EOG and for work-study that are not breached except when there are no work-study opportunities available.

Mr. Ruth. With those students who are funded by the Sloan Foundation, was low income or need a factor?

Mr. Costello. No; it was not.

Mr. Ruth. How many of your Urban Corps employees are hired by the city after graduation?

Mr. Costello. I would have to give you just a general response. Mr. Rose might have specific figures. We have been very pleased with the very large number of students who did come back and are part of the civil service.

Mr. Rose. We know they now exist in just about every city agency and in a continuing larger number of students each year.

Mr. Ruth. Would you say about 50 percent?

Mr. Rose. I wouldn't say it was that high, but a substantial number and in significant positions in the city government.

Mr. Ruth. Thank you, Mr. Chairman.

Mr. Gold. May I say a word? The purpose of the Urban Corps per se has not been Government career oriented. We have been able to draw upon students from all academic levels and in every career interest and we have been able to give them a temporary but responsible and meaningful internship experience in city government.

It is our hope in every Urban Corps program that some of the students will go on to career Government service. What I think title IX does is provide that second step in the Urban Corps process.

Students who are motivated toward a career in Government, would, under title IX, have an opportunity to pursue that motivation. The Urban Corps serves a broader constituency.

Mr. Brademas. Gentlemen, thank you very much for having taken the time to appear. I hope you will give our best wishes to our former colleague and good friend, Mayor Lindsay. I wish him luck in his responsibility.

Mr. Costello. Thank you. I will relay your greetings to him.

Mr. Brademas. Our last witness this afternoon is Mr. Conaghan. I am sorry to have taken so long but I am sure you can appreciate the difficulties. Since we are in the midst of a quorum call, it is going to be difficult at this hour to get back, if it is agreeable to you, we will insert your entire statement in our transcript at this point. Perhaps you can summarize your statement for us.

(The document referred to follows:)

STATEMENT OF WILLIAM CONAGHAN, PRESIDENT, CIPHER & CO., ILLINOIS

Madam Chairman (Mrs. Green). My purpose in appearing before this Subcommittee is:

1. To inform this Subcommittee of the existence of a financial system that would, without raising taxes or realigning the present allocation of funds, provide substantial sums of money to colleges and universities in order to alleviate their present financial problems.

2. To explain the operation of this system, making a particular point of the benefits that would accrue to the individual taxpayers.

3. To request that legislation be enacted that would specifically permit banks and/or securities dealers to both act as principals and outlets in this system.

This financial system is being presented as an endeavor of private enterprise designed, funded and operated without governmental expenditure. Consequently, I am definitely not looking for the approbation of the financial system by the federal or any other level of government. The feasibility and desirability of this system should be determined by those colleges and universities which choose to participate and by the people directly with their dollar votes. What is definitely needed, however, is explicit permission to implement this system as various existing governmental regulations now implicitly prohibit it.

It has been demonstrated that the most efficient method of explaining this financial system is through the following series of questions and answers.

You will note that all of the questions and answers are numbered. Should a question arise concerning either the question or the answer given, please write down the number and it can be reviewed at the end of this series.

1. Q. Why the Education Endowment Exchange?

2. A. America's colleges and universities, both public and private, are in serious financial trouble.

3. Q. What is the Education Endowment Exchange?

4. It is a financial system designed to provide funds to our colleges and universities.

5. Q. What is the source of funds for the Education Endowment Exchange?

6. All funds to be employed by the E.E.E. will be provided by the private sector.

7. Q. How will the private sector provide these funds?

8. A. The private sector will provide these funds to the colleges and universities through the purchase of their subscriptions.

9. Q. What is a subscription?

10. A. It is a right, purchased from a specific school, setting forth the obligation of this school to provide a certain amount of class time at no additional cost.

11. Q. Will these subscriptions be good at all schools or just one particular school?

12. A. Each subscription will be for one particular school, for a specific amount of time and good only during a particular period of time.

13. Q. How much does a subscription cost?

14. A. The cost of each individual subscription will be determined by the respective participating school.

15. Q. When can these subscriptions or rights be used?

16. A. They can be used no earlier than 10 years from the date of purchase.

17. Q. What liability does the school incur by selling these rights or subscriptions?

18. A. The school is only liable to the purchaser to provide, at no additional cost, the amount of schooling indicated on the subscription.

19. Q. If a purchaser of these rights cannot use them, does the school have to buy them back?

20. A. No, the school will not buy them back, but the holder of the subscriptions will be free to sell them through the Exchange.

21. Q. What or who will determine the resale price of these subscriptions?

22. A. Resale prices will be determined by the forces of supply and demand acting in the marketplace.

23. Q. What does the E.E.E. do?

24. A. The E.E.E. acts as the marketing agent for the participating schools by selling subscriptions for tuition (where schools own housing, room and board could be included).

25. Q. Who will resell these subscriptions?

26. A. The E.E.E. will be the only marketplace for resale. It will assist in pairing the buyers and sellers and re-registering the subscriptions.

27. Q. If I buy a series of subscriptions for Northwestern and then change my mind, what can I do?

28. A. You can either sell the Northwestern and buy another school or trade with a holder of a desired school.

29. Q. How will the E.E.E. make money?

30. A. B charging an add-on commission on the original sale and also on any subsequent resale.

31. Q. When can these subscriptions be sold?

32. A. Anytime after purchase and prior to their expiration.

33. Q. Just what are the profit capabilities of the E.E.E.?

34. A. A conservative projection of Profits, before taxes and depreciation, exceed $30 million in the third year.

35. Q. What is the major financial benefit to the schools participating in the E.E.E.?

36. A. Increased annual income on which they are not obligated to pay interest.

37. Q. Wouldn't the sale of future tuition, at any price, hamper a school's budgeting?

38. A. No, not if the E.E.E. guidelines, of offering only 25% of a school's present freshman class, are followed.

If this 25% guideline is followed, the participating school would still have the ability to raise the tuition of 75% of any incoming class.

39. Q. Who will decide how the money each school will receive will be spent?

40. A. The Board of Trustees, the Board of Governors, or their counterpart at each school.

41. Q. Would the implementation of the E.E.E. Financial System increase the demand on present or future school facilities?

42. A. No, it will place no pressure on the school to increase its enrollment now or in the future—so there would be no necessity to expand its facilities.

43. Q. What would be the allover effect of the E.E.E. Financial System on individual colleges?

44. A. It would grant them greatly increased budgetary flexibility that could possibly obviate any subsequent tuition or fee increases.

45. Q. Exactly what services does the E.E.E. provide?

46. A. The E.E.E. acts as the marketing agent for all participating schools. It also maintains records of all the purchasers of the subscriptions.

47. Q. Who will pay the advertising costs of each participating school?

48. A. Each school will be responsible for its own advertising. The E.E.E. will advertise itself and all of the participating schools on a group basis.

49. Q. What is the benefit to be derived by parents trying to plan for the education of their children?

50. A. They will be able to plan the major portion of colleges expenses years in advance.

51. Q. What about the average family that can't afford to pay for 1–4 years of college in a lump sum?

52. A. They could participate by buying it in increments of quarters, trimesters or semesters.

53. Q. Could an individual of limited means participate in the E.E.E. program with borrowed funds?

54. A. There would be no reason why he couldn't. Bank loans for the purpose of paying for higher education are quite common.

55. Q. Could someone besides parents, or others directly interested in education, participate in the E.E.E. System?

56. A. Anybody can participate. It is even possible that an E.E.E. subscription might assume the proportions of an investment vehicle.

57. Q. Will the ownership of subscription carry preferred admission status?

58. A. No, ownership of a subscription should not affect the treatment of an application at all.

59. Q. Would an enterprise of such a scope necessitate a large amount of office space and a large clerical staff?

60. A. No, it wouldn't. By profiting from the experience of the insurance securities industries, both the space and office force could be minimized.

61. Q. Wouldn't many of the funds generated just duplicate government spending?

62. A. No, the funds would not duplicate, but would augment government spending. These funds would be quite different, however, as they would be unrestricted.

63. Q. Generally, how would these subscriptions be marketed to the public?

64. A. Ideally, they would be marketed through a bank, or a group of banks, and their correspondents across the country.

65. Q. How much money will the E.E.E. provide?

66. A. With the majority of our colleges and universities participating, funds in excess of $12 billion annually can be generated.

67. Q. Could the present structure of the E.E.E. be altered?

68. A. Owing to the extreme flexibility of the E.E.E. System, many aspects could be changed without impairing the underlying principles.

In review, here are some of the various benefits that would accrue to the respective educational institutions:

1. There would be no interest payment due on the money received from the sale of the subscriptions.
2. There would be no obligations whatsoever on the money realized through the sales of subscriptions for a minimum of 10 years.
3. There would be no automatic increase in the demand on facilities resulting from the school's participation in the Exchange.
4. The participating institutions would have greatly increased financial leverage.
5. There would be decreased dependance on government aid.
6. There could be higher concentration by upper level administrators in areas other than fund raising.
7. There would be increased budgetary flexibility available to the institutions.

Also, parents of prospective students, their families, private organizations, corporations and other interested individuals would benefit from the Education Endowment Exchange financial system in the following ways:

1. The bulk of the cost of higher education would be known years in advance.
2. Purchase of a subscription for use in 10 or more years would serve as a hedge against inflation.
3. The subscriptions would provide a planned and/or forced savings plan to provide for advanced education at the school or schools of your choice.
4. These subscriptions would have a salable quality up to the date of their expiration.

5. There is the possibility of capital gains through the exchange or sale of subscriptions.

6. More of the cost of the operation and growth of our colleges and universities would be borne by those who desire to attend them.

7. The Education Endowment Exchange financial system would expand the economic freedom of choice of approximately 75% of our nation's families and all of our colleges and universities.

Now, having informed you of the existence of the Education Endowment Exchange financial system and provided you with a description of how it would operate, I hope that this Subcommittee will assist me in forming legislation that will specifically permit banks and/or securities dealers to both act as principles and outlets in this system.

Madam Chairman (Mrs. Green), if I could hear from you and the members of this Subcommittee in regard to this information which I have provided and the specific request which I have made, it would be very much appreciated.

Thank you for inviting me to appear.

STATEMENT OF WILLIAM CONAGHAN, PRESIDENT, CIPHER & CO., ILLINOIS

Mr. CONAGHAN. Yes. The summary is provided in the first part of the statement and it is my purpose in appearing here to inform the subcommittee of the existence of a financial system that would, without raising taxes or realigning the present allocation of funds, provide substantial sums of money to colleges and universities in order to alleviate the present financial problems.

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Mr. BRADEMAS. As I understand it, your general approach is to seek to utilize the private financial sector in the United States as an instrument through which to help provide needed support to colleges.

Mr. CONAGHAN. Yes, sir, that is correct.

Mr. BRADEMAS. What is your background, Mr. Conaghan?

Mr. CONAGHAN. I have an academic background in economics and I am a consultant. Cipher & Co., Ltd., is mine. I developed this myself and have been trying to find a way that it could be launched on a commercial footing.

I spoke to some bankers locally ~~and~~ they pointed ~~out that~~ there was, in their mind—and these people were also attorneys—the possibility the Federal Reserve regulations might prohibit them if they went along with this and organized this financial system, that they would be acting as principals, because I don't have the necessary money.

It would exceed a quarter of a million dollars to set up the administrative end of it. He said that if the regulations were changed, and I came to the possibility if an explicit law were made or passed that would allow banks to act as principals and as outlets in this system—I also bring up securities dealers because the one college president that I was able to talk to at great length for 3 or 4 hours and several letters, said that he himself would like the program. He would like to do it.

His college was in a definite pinch. However, he said, there was no reason or no way that these subscriptions could be marketed. At that time—this was about 2 years ago—I couldn't offer him an answer.

The avenue that I am pursuing at the moment, of going through banks and their securities dealers with the thousands of branch offices through which the product, this subscription that I bring up, could be sold through.

Mr. **Brademas.** This would, if we were to do anything in this area, would require legislation through the Commerce Committee, not through this committee.

Mr. **Conaghan.** I am frankly, not sure. I am not familiar with the procedure. That might be it.

Mr. **Brademas.** Thank you. Mr. Dellenback?

Mr. **Dellenback.** Mr. Chairman, I have no questions, just a comment. In addition to our appreciating your patience in waiting as you have waited, so frequently in government, we think again down the same lines that we have already thought.

I will make it a point to read over your testimony in detail and appreciate your giving us a new line of thinking. We will give it our best attention. Thank you very much.

Mr. **Conaghan.** Could you direct me to the appropriate person to see? I would, indeed, like this to become a firm and explicit law so I could continue to pursue this. I think part of the problems that I heard of could be solved through this, and the possibilities are there.

Mr. **Brademas.** My own counsel would be that for one thing you ought to talk to spokesmen for higher education in the country. This is the group, after all, that has the greatest stake in any legislation.

It affects their own financial situation. You would be best advised to pursue your proposal with groups of this kind to get any suggestions and reactions they may have before you pursue it any further so far as legislation is concerned.

I know, by the way, that Mr. Pucinski would want me to express his appreciation to you for having come, because it was at his request that you come and testify today. We appreciate your coming, Mr. Conaghan. We are adjourned.

(Whereupon, at 4:15 p.m., the subcommittee adjourned to reconvene at 2 p.m. Thursday, April 22, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

THURSDAY, APRIL 22, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to recess, at 3 p.m., in room 2261, Rayburn Building, Hon. Edith Green (chairman of the special subcommittee) presiding.

Present: Representatives Green, Brademas, Quie, Dellenback, and Steiger.

Committee staff members present: Harry Hogan, counsel; Robert Andringa, minority legislative associate.

Mrs. Green. The subcommittee will come to order for the further consideration of higher education legislation which is under the jurisdiction of this subcommittee.

My apologies to the people who were here this afternoon. Congressman Dellenback and I have no control over the bells.

If I may call on Frank Newman, first of all to present his views on the higher education bill. It is my understanding you do not have a prepared statement, but we are very much interested in the Newman report. We have read it with great interest and find it very provocative and very helpful as we consider the legislation.

STATEMENT OF FRANK NEWMAN, STANFORD UNIVERSITY, STANFORD, CALIF.

Mr. Newman. Madam Chairman, it is a pleasure to be here, and I appreciate the opportunity.

In commenting on some of the points, I would like to speak from my own point of view, although I think often many of these points of view reflect my fellow members of the task force and also others in the administration at Stanford.

I would like to start with a few comments on the question of student aid. One important thing that has been overlooked in the discussion about the different bills in student aid is that there is great advantage in the fact that they approach the problem so differently that the question of Federal policy and, in fact, the national policy of what we want in student aid is forced out into the open.

The intense discussion about that point is of great value. However, some points haven't been emphasized enough. One of them is that, even though Federal student aid has been growing at a significant pace and state student aid has been growing at a significant pace, the gap between the amount of money available to students across the country from both sources and the cost involved in going to college still remains considerable.

It is likely to continue to remain considerable, even with any foreseeable increases in student aid for at least two reasons that have received relatively little attention.

So far, many students are still unaware of the broader opportunity that now exists and the importance to them of college. As the present minority programs and disadvantaged programs proceed. the number of students who would not previously have seen college as applicable to them but are now interested in going on to college is going to continue to rise at a rate that will surprise us.

The second is that we continue to depend on the fact that most students drop out. If we are able to find some effective means of changing the student's relationship to his education so that he sees it as an experience he wants to continue rather than one he wants to leave voluntarily, the number of students enrolled would be very much larger. Hopefully, we will find avenues in that direction and, consequently, the demand for student aid will be much larger.

I think it would be a service to recognize and make plain that this gap between the total demand for student aid and the total availability is significant.

One of the disadvantages of the administration bill is that it inadvertently implied that students would be funded to the level that they would then be able to gain access to any institution in the country relatively easily. I think that was unfortunately misleading.

There are a couple of ground rules that seem to me might be helpful:

One of them is that it would be better not to fund any group to the extent that they are fully funded on their way through college. There has been some experience with full funding of students at the graduate level, and when we took a hard look at this in the task group——

Mrs. GREEN. What do you mean "not to fund any group"?

Mr. NEWMAN. Not providing enough financial aid to cover all expenses for any particular set of students. For example, either a group that is of a particular income class or of a particular geographic location or interested in particular subjects.

We did in the graduate level arrive at the point—and for certain fields of study at certain institutions still are, although it is changing—where certain groups were fully funded. Within many departments of the best graduate schools, particularly in the physical sciences and social sciences all entering students are and expect to be fully funded.

Recently, the Ford Foundation experimented to see what would result if they funded fully a group of graduate students in the social sciences and the humanities. The results of those experiments, if you want to call them that, were generally negative. The full funding seemed to exacerbate a problem that began to appear in American college life during the last decade; that is, an increasing number of students, still a modest but a growing number, are attracted to college as a life style rather than as an educational experience. Complete full funding tends to enhance that student view.

What we found is that a great many students go on perpetuating that life style, staying within the university confines rather than being interested in an educational experience. Certainly, it is true in the graduate schools, and I think it would be equally true in the undergraduate case if they were also fully funded. This tends to isolate the educational community from the larger community, and it interferes with the educational process.

Now, I don't believe education as a process should be painful in order to prevent students from hanging around, but I do think going to the extreme of full funding of students has distinct disadvantages. There are enough people as it is who are not formally part of the university community but prefer to view themselves in that same sense who find it so attractive to stay close to that life style that the universities find themselves surrounded by a growing number of "hangers on."

Secondly, there is the difficult question of the balance between funding for students of low income and students of middle income. I think the question is: Which funds do you target for which groups?

In the case of the present Federal programs, there are only three programs of which I am aware that are targeted at the low-income students: the economic opportunity grants, work-study and the Bureau of Indian Affairs funds.

Our experience at Stanford has been that we are in very short supply of student funding for disadvantaged students. I think it is generally true across the country that the cost of the economic opportunity education programs has been underestimated. The amount of resources that a student brings to the campus from a low-income family have been estimated in terms of traditional student aid tables, but in fact we are finding in practice that these students bring with them far less in the way of ordinary financial assets.

We underestimate the amount of resources that the typical student from a middle-income family brings with him. For example, a young man I know arrived at his campus with a Porsche he had purchased with earnings from a previous summer's job. When the student aid programs failed to provide him enough to make ends meet, he sold it and bought a Volkswagen and financed himself on the differential.

Not many disadvantaged students come with a Porsche end up with a Volkswagen or have the differential to use as a supplement to student aid. They don't come with the ordinary student necessities, and, consequently, the student aid problems will be much more serious than anticipated.

At Stanford presently, we have $310,000 of EOG and work study grants out of a total of $5.7 million of student aid grants at the undergraduate level. In simply trying to keep the existing minority programs at their current level, the trustees have been forced to allocate $1 million of unrestricted funding. And, we are not in much of a position to allocate a million dollars at the moment.

So I would argue that there is a distinct advantage in recognizing the national commitment to poorer students, that significant funding has to be allocated and that present funding is insufficient, looking at the total national scene.

In determining who is disadvantaged, I think it is mandatory to keep in mind the differences in cost levels among institutions that the students attend. A student who is from a family income of $6,500 may be much less disadvantaged in terms of getting through a community college than a student of $10,000 family income attempting to go to Yale, for example.

But the difference is not, in my opinion, public-private. It is obviously a great deal more expensive for a student to go to one of the major public universities, the University of Wisconsin, for example, as opposed to a nearby community college.

An important question that follows is why should such a student go to the more selective, more academically oriented institutions.

I think that there are a couple of very important reasons. In our task force study, one thing we did was to examine the performance of minority students at varying types of institutions. To our surprise, we found the converse of what we had expected in terms of persistence rates. All students persist better at the most selective institutions and less well at the least selective, which is not surprising.

But what is surprising, is that for minority students (we looked first at black and then at Indian students) this trend is even more pronounced. The rate at which they persist in the selective private and major public institutions is high and the rate at which it falls off at less selective institutions is faster than it is for all students.

That is to say, one would expect that minority and disadvantaged students generally would persist less well at the very difficult colleges. It turns out just the opposite.

To some degree, this is because the more academically skilled minority students go to the more selective colleges. But this is equally true of all students.

What apparently occurs is that the climate of expectation at the more selective institutions has a great deal to do with encouraging minority students to persist, while at the less selective institutions the expectation of dropping out is the norm, and the minority students' expectation of failure is enhanced.

We have just been through a discussion with the Bureau of Indian Affairs on this point. Their policy has been to favor sending Indian students to nearby less selective institutions on the ground that their aid will go farther and the students will perform better.

On the other hand, their dropout rates are phenomenal. Their figures show, depending how one interprets the data, that between 4 and 14 percent of the Indian students ultimately graduate with a bachelor's degree. Yet, at the most selective institutions, Indian students are persisting at the rate roughly comparable to all students, which means somewhere in the order of 60 to 70 percent of those students will ultimately graduate.

Mrs. GREEN. Do those figures by themselves really mean anything? Or have you really compared this to people who entered the more selective schools vis-a-vis the people who entered the less selective schools, as you suggest? Is there a difference in the type of students that would make a difference in the dropout rate, or is it totally and exclusively related to one institution being selective and one not?

Mr. **NEWMAN**. This is a very good point. It is not easy to separate these out because it is very difficult to get clear positions on them, but, in the few studies so far, when one takes comparable students who enter the less selective institutions and compared them to students of relatively the same ability who enter the more selective institutions, those that enter a more selective institution persist at a higher rate.

Mrs. **GREEN**. Is there enough actual data on that to really make the point, or is this just an impression?

Mr. **NEWMAN**. I think there is enough to make that point.

Mrs. **GREEN**. Would you make those available to us?

Mr. **NEWMAN**. Yes.

One of the things we discovered in our Indian programs at Stanford, and we have now similar information from Minnesota and Dartmouth, is that the students we recruited were generally able to perform the work, even though the BIA thought they would never make the grade at Stanford and were recommending that these particular students should instead go to less selective institutions where they would be likely to do better.

Those students are being encouraged in directions that follow a traditional path and where their dropout rates are relatively high.

There are obviously a lot of factors involved in this. I don't think it is as simple as saying only that the climate of expectation is better. But I do think that is a significant difference, perhaps the most significant.

There is also overwhelming evidence that, in the case of entry to graduate schools attendance at a more selective institution is important. The chances of entrance into graduate schools rise if a student goes to the University of Wisconsin or the University of Illinois as opposed to a State college. They are much higher at a State college than if he goes to a community college.

I am not arguing that therefore everybody ought to go to the University of Illinois. That isn't my point.

I do argue that there is a great advantage in encouraging students from low incomes to enter all across the spectrum of institutions.

There is also value, when thinking about student aid, to think in terms of the desirability of pluralism. One disadvantage of the administration bill is that it creates a homogeneous student aid program, or maybe "coherent" would be a better word, a coherent student aid program.

There is a great advantage in having an NDEA loan program and a guaranteed loan program. While students are not always as effective as we would like them to be as consumers of student aid, they are in fact shoppers for the service they are buying.

It is a great advantage for the student to be able to turn to many different sources of aid. Fortunately, student aid is presently very diverse. There is the GI bill and social security; there is State funding and Federal funding, there are NDEA loans and guaranteed loans, there is work-study and EOG, all of which is to the advantage of the student.

Anything that can be done to encourage this pluralism of sources will, in the long run, be beneficial to the students.

In terms of the amount of money needed it will be necessary to look for new sources of student aid, and not only because we need pluralism. There is no likelihood of enough grant money considering the total numbers of students now—after all we now have about 8½ million students in this country, almost 6 million of those students are full time out of a working force of 70 million and a population of 200 million—that is an enormous number of people to be supported by grants.

There is a lot of interest today in loan funds. We have, along with several other institutions, put a lot of energy in the question of educational opportunity bank loan funds, the pay-as-you-earn type, and I am sorry to say that after a very determined and energetic investigation of the advantages of these programs, while we are one of several other institutions who will probably start small pilot programs, myself and others are now pessimistic about the possibilities of these as major vehicles for student financing.

The complexities, difficulties and costs of them are much higher than we had all originally anticipiated. So I doubt if this is going to be a major new student aid financing possibility.

I do think, however, that it is likely there is room for new types of loans which provide somewhat longer repayment terms; not 20 years, which I think may be too long, but maybe 12 or 13 years, perhaps with lower payments in the earlier years.

The difficulty with very long-term repayments is that the total cost, both to society and the student gets very high.

But I think a new emphasis is going to have to be placed on work opportunities for new sources, and your bill has a very helpful emphasis on that new opportunities for work as a means of going through school.

First, many forms of work ought to be seen as an important educational opportunitiy. Right now we tend to think of it in a much more limited form, and your bill had several places where it is mentioned, such as political internships, where it is mentioned as an educational opportunity.

There aren't too many studies on the subject, but what studies there are tend to indicate that for most students some work that is related to their academic purposes enhances their ability to learn.

Second, work opportunities, or internships must be long enough to be useful. One difficulty is that so many work opportunities, and particularly those called internships, are viewed as very short opportunities; say 10 weeks in the summer, and as a consequence, it results in make-work instead of real work.

We need to find ways to use such assignments, either through the work study program or through internships as longer opportunities, perhaps as a job that is filled continuously by a student with any one student being in it for 6 months or so. This is much like the Northeastern Cooperative program, where a student is involved for 6 months and when he leaves, another student comes in so that real job responsibility can be assigned.

We have had an interesting case in our law school where we have a program in which students prosecute cases for the district attorney. The students are very interested in this. They find all sorts of things out about the district attorney's operation. For one thing, the commonly held impression that the district attorneys always prosecute old ladies, who have been unfairly accused, turns out not to be some distance from the truth. They find that instead district attorneys spend most of their time prosecuting people who do in fact seem guilty but who it is hard to get the evidence on.

However, the district attorney's complaint is that the students are there for only 3 months and then leave, and that they are part time and he cannot always get them for the time he is interested in.

What he would like, and I would love to see, is some type of curriculum and student aid program where they can be around for 6 months at a crack and then be replaced by someone who takes their place so that he can assign real and continuing responsibility.

I think there is another advantage of this. More and more evidence is piling up that students need breaks from the college experience. They need breaks partially because they are increasingly isolated from the real world and partially because the nature of the college or university experience at the moment often creates a hostile atmosphere to the rest of the society. All of this mitigates in favor of the student going out to be involved in society and later coming back to continue his education.

With this in mind there is one form of student aid that, for reasons I have never understood, we have failed to capitalize on. One great experiment that everyone has agreed has worked successfully is the GI bill.

Interestingly enough—we have been able to find almost no studies on how effectively GI returning students have done, but it is widely accepted that they have done far better than their counterparts who enter college directly out of high school or who enter graduate school directly out of bachelor's degree programs.

Yet, despite its widespread acceptance as a successful concept (the idea that one serves the country and receives educational aid in return) we use it very little.

It seems likely that the use of the Army as the sole vehicle for performing that service is likely to be somewhat less acceptable in the future, certainly from the point of view of students.

Why wouldn't it be possible to expand the concept of the GI bill to service to the country in a broader sense. If we have a concern about social mobility, and I think we should have, one avenue for the student who wants and doesn't have the financial resources might be service to the community in return for which he can go on to college with the aid of a version of the GI bill, which might apply to a variety of civilian programs.

It would be an opportunity for the student to find new resources for student aid in a way with which society would be satisfied.

Could I turn from this to the question of institutional aid?

Mrs. GREEN. Fine.

Mr. NEWMAN. Institutional aid, it seems to me, has become an important question, primarily in response to the financial crisis of the institutions.

There is a question on many people's minds as to whether or not there is indeed a financial crisis on the part of the educational institutions. In my opinion, it is a very real crisis. It is obviously an uneven crisis, but I don't think that makes it any less real for those institutions which are in the unfortunate part of the spectrum where the crisis is most serious.

Obviously, many small, private colleges are at the point where they are finding it difficult after continuous increases in tuition to be competitive. With oftentimes falling enrollment and the prospect of further tuition increases, it is an extraordinarily difficult situation for them.

For certain of the major private research universities, the crisis is also obvious and severe. A number of the hardest pressed private colleges and universities have already been absorbed in the State system, and I think no one would predict that that trend will be reversed.

There is another group of institutions that have received very little attention. So far as I have been able to see, many of the community colleges that are dependent mainly upon a property tax base are equally in a stressful condition. The property tax is under tremendous pressure anyway for other priorities, but these institutions are often overlooked in terms of the present financial crisis.

This raises what I think is a very difficult problem: How do you measure the extent of crisis?

I was fascinated, for example, in Dr. Cheit's study of the crisis (which is the best study that has come along so far). In this attempt to measure the crisis in a number of institutions, he placed Stanford as in financial trouble, (the worst category) primarily on the basis that we had begun a major budget reduction program. Now, we thought that we were doing that in advance of serious difficuties. Recognizing our own problems we thought would be intelligent financial planning.

The institution closest to us geographically is the San Mateo Community College system, which Dr. Cheit placed in the least severe category; that is to say, no crisis. At the time the report was issued, that system announced it was going to close two of its three campuses because it was at the point where it could no longer pay salaries. The county finally passed a tax override in order to save the day.

I mention this simply to emphasize the tremendous difficulty in measuring what the term "financial crisis" means. But despite that difficulty, and despite its unevenness of the crisis, there is indeed a financial crisis.

In such circumstances, higher education has had a tendency to look only at the immediate problem and not beyond that to the crises that are coming downstream.

I think there is a very strong tendency at the moment to look at the solution of the financial crisis in terms of institutional aid and ignore the questions coming in terms of other types of problems facing higher education. For example, in our task force study, we became deeply concerned about the growing tendency for institutions to begin to resemble each other, to have a homogeneity, to the students disadvantage since it is apparent that all students do not learn well at the same type of institutions. Learning style, or teaching style if one prefers, is becoming increasingly standardized.

We are also in an age of the large multicampus systems, which are beginning to show growing signs of bureaucracy. In my opinion, these are going to be very difficult problems downstream.

Consequently, it seems to me that the decision concerning the form of institutional aid will probably be the most important single policy decision in higher education in this decade, for it will set the response to other problems I noted above.

I have been concerned about and apprehensive about a formula as a vehicle for that.

Incidentally, that apprehension has earned me a great deal of difficulty with certain of my colleagues, in higher education, some of whom would favor a direct formula as rapidly as possible. I might say that I have heard a great deal from my colleagues on this point.

Plunging fearlessly ahead, let me say that I think——

Mrs. **Green**. Join the group.

Mr. **Newman** (continuing). There are several difficulties with the formula. First, one would like to see a situation in which there is every incentive for any institution to strive for excellence and to try to move itself into a leadership role in its own particular type of activity. I don't mean to say that every institution ought to strive to emulate Harvard in terms of academic excellence. Hopefully, some would strive to do the very best job in dealing with urban minority students. Others might strive to do the best job in teaching in a career rather than an academic field.

I am sorry to say that I think most of the striving presently seems to be down the general path of greater academic prestige, but I still think some measure of striving is very useful.

A formula, I am afraid, encourages a preservation of the present relationships among and within institutions rather than any sense of competition. Formulas also have the disadvantage of inadvertent distortion of the academic process.

I was at a meeting the other day when someone pointed out that he hoped whatever the formula, it would not provide aid for Ph. D. degrees, because in his State, Texas, they apparently have a program which provides State aid based on degrees granted, and where it does including a bonus for Ph. D. degrees. He was concernd that many of the small colleges were seeking ways to begin giving Ph. D.'s.

That is the type of distortion, it seems to me, that inadvertently comes from formulas.

Enrollment formulas have the disadvantage that they may encourage enrollment at the expense of learning experience.

I was at a conference in Europe recently and had a long opportunity to talk with a distinguished professor from the University of Rome. He mentioned that they have an enrollment formula, and as a consequence, the University of Rome now enrolls about 100,000 students. The fascinating thing is that they have a faculty the same size as that at Stanford. But most students don't show up for class. They register and go back home. They study in some other place near their home and then they come back at the end of the semester to take the examinations and ultimately get a degree from the University of Rome.

I am not arguing that any American institutions would ever do anything that nefarious, because we know the nature of American institutions is that they do not respond solely to financial incentives.

But it does seem to me that there is a danger that such formulas can become encouragements to distortion rather than to education.

The sixties can be characterized as a decade of growth, for our system of higher education as it exists now grew enormously in the sixties. What one would like the seventies to be is a decade where we switch from concentration on growth—I am not saying we are finished with growth but where we switch emphasis—to asking how we can now provide more meaningful educational experiences for those people entering college.

If our task force efforts demonstrated anything to us, it was that we learned that many students do not have meaningful educational experiences.

To achieve that will mean a substantial measure and varying types of reform along with some means for continuing the process of reform. We cannot arrive at some new level where we have meaningful colleges and then the process of reform is over. Far from it.

What one has to do is ask what sort of pressures will create such reform. Are the different types of institutional aid now being discussed likely to be an incentive toward that reform? Is that the problem of the seventies?

My own guess is that a formula based on either enrollment or on degrees is not likely to achieve that.

Mrs. Green. If you don't want a formula on enrollment or degrees, do you want any institutional aid and, if so, what would you base it on? If you don't want institutional aid, please let us hear that, also.

Mr. Newman. Mrs. Green, I won't dare say we don't need institutional aid. My colleagues back home would stab me.

I do think, as a matter of fact, that institutions do need aid.

Mrs. Green. Aside from the fact that you might get stabbed, you really do believe our institutions need aid?

Mr. Newman. I really do. I think that there is no indication at all that the costs of education are going to be less severe than they are today, and it seems to me that the financial problems facing the institutions are indeed severe.

I think that the president of a community college faced with doubling and tripling of enrollments in relatively short periods of time, trying to provide really serious opportunities for students who have often not had sophisticated education experiences before that, faces an extraordinary task and is frequently underfunded. Many other institutions are underfunded in relation to their purposes.

Mrs. Green. How would you submit your formula then?

Mr. Newman. I think there are several possible ways. One is that it would be possible to do much more with the project grant system. So far the project grant system has been aimed primarily at the elite type institutions.

For example, we have not used the project grant system to encourage disadvantaged student programs at the community colleges. We have not used the project grant system generally for community colleges as we have, for example, in the major public and private universities. We have not used that same system to create a change in the development in the State colleges or changes in the way career education is performed.

Mrs. GREEN. Who would give the grants and on what basis?

Mr. NEWMAN. I think that project grants can be used on a variety of bases across a broad spectrum. I think the proposed National Foundation for Higher Education is one avenue. That, if I understand the foundation as it has been discussed, might be the kind of an institution that could provide project grants or, let me say, institutional grants on a risk-taking basis in developing a new type of institution or major fundamentally different type of program.

But I think that existing agencies within the Office of Education are also equipped to do things if they begin to choose the project grant approach for such things as transforming vocational education.

There is a lot of criticism of vocational education today. I would particularly make one criticism; that it tends to be isolated from academic education. There is a great opportunity for transforming this segment of our education so that a ladder approach is possible in many fields; so that vocational training is the beginning but it is coupled with increasing amounts of academic training so people can go as far up that ladder as they are interested in going.

Mrs. GREEN. To go back, as the Secretary has described the Foundation, this year it would give project grants to those institutions which are willing to make the changes that those individuals administering the Foundation have decided ought to be made. Do you think that is healthy for higher education?

Mr. NEWMAN. Well, if you would change that slightly, I think it would be a very good thing. If you would change it from grants to the changes that they would like to make——

Mrs. GREEN. That who would like to make?

Mr. NEWMAN. The foundation would like to make.

Mrs. GREEN. That 15 people would like to make.

Mr. NEWMAN. It seems to me that if the incentives for effective reform are present, many organizations will respond. We are in the process now of trying to identify those institutions of all different types that have developed really fundamental ways of educating people. We are trying to identify which approach seems most effective in creating these changes; whether someone looking down on the system says that change would be desirable or whether someone down in the system, burning with ambition, has established that program with that institution.

While we are not far enough along to answer definitively, there seems to be a great deal of evidence that people out in the system who get important and fundamentally different ideas and are determined enough entrepreneurs are the people who bring about the right kind of change.

I don't think you can always see those changes from a foundation position, but I think you can respond intelligently to changes when they are proposed.

Right now it is terribly difficult to create new institutions because there is almost no place to turn for someone who has the burning ambition to start a new institution to turn for funding, and a foundation could provide that.

If the foundation sees its role as deciding what types of institutions are needed, planning them and then going out and starting them, I don't think it will work.

Mrs. **Green**. But when an institution or group of people apply for funds to OE or the Foundation, it depends entirely on the people who are reading the application whether or not it ought to be funded, whether the proposal is good or bad.

So you are imposing the judgment of a small group of people as to what higher education in the years to come should be in this country.

Our examination of the contracting and grant procedures in the Office of Education leaves a great deal to be desired.

My concern with the Foundation and with your approach of project grants stems from my observation that innovation and change does come from within the institution, at least as often, if not more often, than from somebody sitting in Washington.

Mr. **Newman**. I think it often comes from without the institution, too.

Mrs. **Green**. But not necessarily from Washington.

Mr. **Newman**. I agree. I think very often some of the most exciting and innovative new educational programs have come from people who are essentially outside of the existing institutions who are forced to make their way in, in spite of that. There are, however, strong pressures against that. There are accrediting pressures which deal in a very difficult way with new institutions. There are the pressures of funding. There are pressures from the faculty toward conformity.

Increasingly there are the pressures on an institution that is founded within a large State system. Even when the State system itself, or when the president or the board of the system are in favor of innovations, there are inadvertent pressures within the system that tend to undermine the degree of difference.

Mrs. **Green**. But this also can be very helpful. The clash of opinions, it seems to me, results in better and more effective change.

Mr. **Newman**. Yes. You need, certainly, some measure of resistance. You have to have a clash of opinion. You have to have certain degrees of obstacles to overcome.

All I am saying is that the obstacles today are so great that while there is in the absolute a considerable amount of attempted innovation, if one looks at the total numbers of institutions and the total numbers of students, the amount of change is relatively small compared to the need. In fact, it is very small. I would say beneath the threshold limit are less than the critical mass needed to encourage diversity.

Mrs. **Green**. We will come back to this, but let me now ask you some other questions. If I understand the first part of your testimony, you are making a plea for student financial aid—especially aid for minority and disadvantaged students.

Mr. **Newman**. Yes. I think there has to be some student aid targeted to the middle-income students. I don't think it is true that students who come from a family where the income is even $18,000 or $19,000 have an easy time in sending their children to college, particularly a private college. So I think the guaranteed loan program in this sense, targeted to that group, is a useful, an essential program.

Mrs. **Green**. I find a conflict here that perhaps you can clear up. In your plea for more student financial aid, in opening you stated that more and more youngsters were beginning to understand the importance of a college education, and that consequently the number of students pursuing higher education would be much, much larger

Your closing statement was that in the 1970's the emphasis should not be on growth but on reform and change, and so forth.

How do you reconcile those two? It seems to me you are saying you want to increase the number of kids and make it possible for more and more kids to go to college, and then you say that really isn't what we ought to be doing.

Mr. NEWMAN. No; I think there is a conflict there, but I don't think they are incompatible. What I mean is that at the start of the 1960's when one looked ahead, one could see stretching ahead for 20 years the need for institutions to grow at a fairly substantial rate. And by "substantial," we have had a substantial growth in the number of students and the number of institutions—the whole system has been growing at a substantial pace.

I am saying now, looking into the early part of the 1970's and ahead toward 1980, one sees that there will be continuing growth, but the emphasis is now shifting away from growth as the prime problem.

I think there is going to be continuing growth because many of the students in States where there is less access will want greater access.

In places like California and New York, where 80 percent of the high school graduates are now gaining access to college, there won't be as great a growth simply based on the numbers of students graduated from high school who haven't previously aspired to college. But there are many States where that will be the case. Wider access is going to spread.

But, even in the States such as California and New York there will be growth if there is reform. If we can make college so attractive and useful that students stay on rather than drop out, there will be considerable growth. To do this requires reform.

Right now the sizes of the colleges depend on the fact that most students drop out. If most stayed in, we would have to double the sizes of our colleges.

Mrs. GREEN. The reason they give us for dropping out is that the colleges are so bad.

Mr. NEWMAN. I think there are many reasons. Like most things in American life, it isn't that simple to put on one cause. Clearly, one can not say the major cause is financial. Students drop out because they marry. Students drop out because they have other things on their mind. They want to join the Army or they want to do 100 other things.

But many of the students we interviewed, a very large number of the students we interviewed, found college an unsatisfying experience. They had not been academically oriented in high school. They were bored in high school. Their hope of college was that it would be a different experience, and they felt it would be very important to them, but they find college is once again something that they are bored with and soon leave.

Mrs. GREEN. I have the feeling we have placed entirely too much emphasis in recent years on going to college and the acquisition of a degree. I think there are a lot of students in college who shouldn't be there.

I think one of the reasons for this is that people who make policy in higher education are degree oriented. They have acquired their undergraduate and graduate degrees, and they think that is what everybody in the country should do.

I just don't think that is necessarily true. This is why I have a little trouble with the idea that we ought to increase student aid a great deal and that we ought to persuade every child to go to college.

It seems to me we should do more to point out other options like vocational and technical education.

Mr. Newman. I think you are right. There are many students in college who have no business being there, but I don't think the problem is a simple one of the educator. I think the parents and the students themselves——

Mrs. Green. Well, educators and Members of Congress and a few others persuaded parents that if their children are going to be successful, they must go to college.

Mr. Newman. It is an ancient feeling, and a very strongly held one.

My objection is not that these students can't get something out of college, but in most cases they don't get it out of college, in my opinion, at the time they are there. That is why I think there is great advantage in anything that is done to encourage students who really don't want to go to college but feel the necessity to go out and do something else, take a job, see the world, lie on the beach, do anything, but get some experience, and when and if they are ready to come back to college, they will be more effective learners.

If they choose later on not to come back to college, they will do it knowingly. But for students to be willing to do that they must be able to see they will have an opportunity later in life to enter college.

If, on the contrary, they see the opportunity to go to college is a perishable opportunity, then whether or not they think it is the right thing to do, they will go.

I think the use of work opportunities as a vehicle to get students out of college, the use of techniques like the GI bill approach, that says to a student, "Look, if you want to go to college, go off and work for 2 years in this project we have of community service. One of the things you will do is get for yourself some financial aid later."

Then the student who will come to college will tend to be a better student, a more serious student and will get much more out of it. I think the college will be better off and the students will be better off.

Mr. Dellenback. Thank you for some excellent extemporized testimony. I wish it could have been reduced to writing, but we will see it in the record afterward and have a chance to go over it again.

On the foundation concept, first a couple of questions. Do you favor a foundation?

Mr. Newman. Yes; very much, if it is the right kind of foundation.

Mr. Dellenback. Now, how would you change it from what has been proposed in the concept of a foundation with a board of approximately 18 or so people in HEW, hopefully well-financed? We can go on from there into specifics, but I am not quite sure from our testimony, or from the reply so far, what it is you would have built in this foundation which you do favor?

Mr. NEWMAN. I think that format sounds to me like that is a pretty good one, but I think there is a danger in a foundation. It is very much easier for a foundation to do anything other than really meaningful reform, really new types of institutions.

It is awfully easy for it to concentrate on the easier tasks at hand, such as student aid, graduate fellowships, modest reforms rather than significant reforms.

Mr. DELLENBACK. So in achieving the really significant reforms, I would assume you want two things—and correct me if I am wrong on this: One, a spelling out in the legislation that reform is to be a significant goal for which the foundation should reach?

Mr. NEWMAN. Right.

Mr. DELLENBACK. And, two, putting on the board of the foundation competent people who would be able to make intelligent and sound choices, not all from one branch of the body of politics, not all educators, for example.

Mr. NEWMAN. It can't be composed of all educators. I think educators may often be the least willing to look at reforms, at least reforms in education.

Mr. DELLENBACK. If they then built a board that is high caliber and broad in its interests, and we give it authority to do this and we emphasize in the legislation that reform is to be one of its significant goals, would you then favor this concept?

Mr. NEWMAN. Yes. And the reason I would favor it reporting to the Secretary, as opposed to being a completely independent institution, is that I think a completely independent institution will find itself frustrated because it is worrying about higher education: it will find itself frustrated because the Office of Education doesn't do what it wants to do in terms of operating programs, and knowing that the institutions do not follow the research pattern it is interested in, it will want to infringe on these fields. After all, those are easier fields to deal with rather than the dangerous business of trying to establish a new learning pattern in an institution.

Mr. DELLENBACK. You would create a board which would be strong and have power but would be part of HEW?

Mr. NEWMAN. So that the Secretary can say,

> No, don't try to recreate the Office of Education; we have another group working on this problem. Worry about this one task we asked you about, which is reform.

Mr. DELLENBACK. Would you give the Secretary power to dictate to the board, or would you leave it in the legislation as to what the board should be doing.

Mr. NEWMAN. Well, I don't know enough about the workings of such institutions to answer that intelligently.

But it would seem to me there would be an advantage in perhaps the Secretary having an influence on appointments some way where he can, not in a direct way but in a long-term way, encourage the institution and the Congress and the Congress can encourage that institution to stay on the track of reform.

Mr. DELLENBACK. If it were part of HEW where it would have to go through the budget to get funds, would this not be a great deal of authority in the Secretary if the Secretary, in effect, recommended to the President who would be appointed as director of the foundation? Would not this be a good deal of influence for the Secretary?

Mr. **Newman.** Yes, those would both seem to be.

Mr. **Dellenback.** And against this matrix in which the foundation would live, would not a strong foundation, strong in composition and strong in authority, be desirable types of objectives?

Mr. **Newman.** Yes, I think so. I would agree with that very much. Mr. Greenberg mentioned to me earlier the importance of somehow keeping a foundation to a very slender staff, not gearing itself up for some major internal effort, which I would agree with totally. It is very hard to think of a mechanism which would insure that without tying down an institution like that so it can't really have the flexibility it needs, and reform is a difficult task and needs a lot of flexibility for it.

Mr. **Dellenback.** But against this background, and realizing we leave a lot of "t's" uncrossed and "i's" undotted, you would favor this foundation?

Mr. **Newman.** Yes.

Mrs. **Green.** Would you yield?

Mr. **Dellenback.** Yes.

Mrs. **Green.** Mr. Newman, you said, yes, you would favor the Foundation if it were the right kind. Let me put the same question to you that I posed to Dr. Kerr.

If this Foundation got underway and in 1972 or 1976 we had a change in the political climate and Governor Reagan became President and Max Rafferty became director of the Foundation, would you still be as enthusiastic?

Mr. **Newman.** Madam Chairman, I am still caught up in visualizing that.

Mrs. **Green.** Well, I suggest that such things ought to be visualized, because in our political system they can happen.

Mr. **Newman.** Yes, absolutely. As a matter of fact, as Dr. Kerr would perhaps be the first to testify, they can happen in a State that has strong constitutional prohibitions against them happening.

One of the things that one——

Mrs. **Green.** What do you mean, constitutional prohibitions against that?

Mr. **Newman.** California has explicit constitutional prohibitions against the Governor interfering in any political dealings with the university. I think Dr. Kerr would be willing to attest that hasn't worked as an effective bar.

It does strike me that the point you make is a real and relevant one, but it is very difficult for me to see any system of support for higher education which would be able to defend itself against a determined onslaught of that kind. If it occurs, it seems to me, that the only safeguard is sufficient congressional control through appropriations and other means to prevent that from going too far astray through some harmful process.

Mrs. **Green.** Then you do want it under political control?

Mr. **Newman.** Yes. One of the things I disagree with is a view often expressed in higher education toward the concept of political control as I suspect you mean to define that. As one example, right now we are worried about the oversupply of Ph. D.'s, but the trends were visible for a long time. The fastest growing areas in the Ph. D.'s are those things that have been in oversupply the longest. I think there must be a political override, political in the best sense, to insure the system responds to public need.

Mrs. GREEN. If my colleague would yield for one more question. I ask this question not facetiously at all, I am concerned about the Foundation, because it seems to me you run the risk of concentrating a tremendous amount of power in the hands of a very few people. I really have not been persuaded that innovation and reform of higher education has to come from Washington. You, yourself, said that many, many things were done by the people in the institutions themselves.

I would also suggest that while you talk about the constitutional prohibitions in California, that traditionally, certainly, the President of the United States has not had a major role in reforming higher education. Yet, he would be the one who would appoint the chairman or director of the board and, perhaps, the board.

There is a tremendous possibility, it seems to me, for political interference in something that has never before experienced it in this country. It is quite contrary to the traditions of higher education.

Mr. NEWMAN. If I could differ just for a bit, first, I think the tradition is not that the Federal Government has not been a leader in reform. In my opinion——

Mrs. GREEN. Just the President.

Mr. NEWMAN. We examined where most reforms have come from and tried to examine that very difficult and complex question. But, in fact, the Federal Government seems to come out as the major reforming force in higher education in the past 25 years.

Now, many of those reforms have been very good. Some of them have gone so far that they have become distortions. But by and large it has been the Federal Government that has acted as a major reforming force.

While I understand the point you make, it seems to me that a foundation funded reasonably and organized intelligently is not as such a threat to the institutions, if it is a responsive type of institution. Where are the other institutions that are going to do this?

One of the things that is terribly difficult to see is what other institutions are going to provide the impetus for reform. Certainly the State budgets for higher education have had very little opportunity to do this. They are terribly pressed to meet their own commitments. They have strong internal pressures that make experiments, such as at Santa Cruz or Evergreen tend to erode in the State system.

I think that while there is indeed danger, and the thought of Max Rafferty as the director of the foundation will chill anybody who thinks about that, the foundation is a realistic and manageable proposition. The danger of not doing something is also very real.

Mr. DELLENBACK. If you could select the board of trustees of this foundation and that board were to be endowed with the authority by statute to set the policies and to control what the foundation does, would you have the same fear, whoever was director?

Mr. NEWMAN. Well, obviously, if you have a good board, a well-selected board, and if the board is empowered to review thoughtfully, I think that is a very important safeguard.

Mr. DELLENBACK. This is one of the critical things that we are talking about in this particular thing. We are talking about a board that is, in truth, high caliber and invested with the authority and the responsibility of making the crucial decisions, where the director is not to be the czar of the board, but rather the director is to be the executive arm of the board, carrying out, in large measure, the responsibilities placed on his shoulders by the board.

Mr. STEIGER. Would you yield?

Mr. DELLENBACK. I yield.

Mr. STEIGER. While you might be concerned about Max Rafferty being a director, let us turn it around and ask whether the board is an advisory board or a policy board, and what power is given to the director. The American Council on Education, and other groups of that kind, have stressed very firmly that they want the board to set the policy, and I think we can all be sympathetic to that.

Now, you have to get down to who is on the board. Can you not conceive of a board that is so subject to the pressures of existing institutions and existing methods of operation that it, in fact, works on a counterproductive basis?

Mr. NEWMAN. I think in all three of the cases you have raised, obviously, you can think of cases where you can stymie the foundation. For example, if the board is large enough, you will defeat reform simply because reform is a very difficult kind of thing to get anybody to agree about any time. So, if you had a board of 40 who had to agree in a policy sense, you will get, in my opinion, no reform.

If you have a board that is captured by the higher education establishment or the elitest institutions, you will get a foundation which doesn't undertake the hardest reform tasks. The hardest tasks are not to reform the institutions dealing with Santa Cruz students in California. We could put those students in the desert, airlift in books and professors for them and they would do fine.

If the foundation is hampered by people who are only interested in serving the elitest institutions, then it will fail in its promise.

If the board, in fact, becomes politically motivated and all appointments are made on a political basis, then, again, the whole process will grind to a halt because reform is such a difficult thing to do.

I think the board ought to end up having some policy say, some policy responsibility, but it ought not to be composed of solely educators and it ought not to be appointed in a way to make it willing to take some risks in trying to get something done.

I think it is also terribly important that the kind of staff and the kind of directors are people who are willing to take risks and willing to really dig and see what the problems are.

Now, I think this is a tall set of orders, but I don't see any other way that you are going to get an impetus toward reform.

Mr. DELLENBACK. As you summed up the last comment you made to my question, while you see great risks that do exist, if we went in the wrong direction there will be risk as to what happens. Do you also see risks of at least that magnitude if we do nothing at all?

Mr. NEWMAN. I would say greater risks. I think the chance of politicizing such a foundation is real, but at the moment they are certainly manageable. One could politicize the National Science Foundation, too.

Mr. DELLENBACK. May I ask a couple of more questions. Concerning institutional aid, you have made the point, it is difficult to measure need and there is an unevenness in the need, of course. Are there any of the higher educational institutions in the Nation at the moment which you could classify clearly as not having a need?

Mr. NEWMAN. Yes, I think there are some.

Mr. DELLENBACK. What class?

Mr. NEWMAN. I happen to be familiar with the fact that Stanford's endowment per student is one of the lowest of the major private institutions; for example, approximately 20 percent of that of Harvard.

Mr. DELLENBACK. Because the endowment has been controlled by the donors or the board of trustees, it has been decided how the endowments should be used.

Mr. NEWMAN. We don't have much endowment to begin with. As a matter of fact, interestingly enough——

Mr. DELLENBACK. We are not attacking Stanford. But can you classify for us which institutions do not have a need at the moment?

Mr. NEWMAN. I would say the question of survival as such is not—it is not a survival type of need. I would say Columbia faces very difficult need situations. I think in other types of institutions they face survival situations. I think, by and large, most college institutions and State university institutions are not a survival-type situation.

I think some more than others have financial need questions. The California systems have a strong pressure from the Governor on the budget. That is true in some other States, and I would say it is more tremendous than others.

Certainly, some of the private systems are not in any financial need.

Some of the best known small, private colleges are not.

I will give you another case. There is an interesting institution that I met the officers of in Los Angeles the other day. It is called West Coast University. It teaches only part-time students, and it teaches them only in the evenings. Its faculty is only part time. It is accredited. It has finally broken the accreditation barrier and hammered its own place in our society. It is doing well enough that it is putting money into a building fund for funding new buildings. I would not describe this institution as in a financial crisis.

Mr. DELLENBACK. If we were to move into institutional aid and we came to the type of alternative roads we touched on in connection with the foundation, where there are drawbacks to either road, if we had to say no institutional aid at all, or say we will set up institutional aid, but we will do it on some sort of a formula basis so that all accredited institutions will get aid, which alternative road would you rather see us on?

Mr. NEWMAN. I would like to choose the way the students do; I wouldn't choose either of those.

Mr. DELLENBACK. In this best of all worlds where money is no problem, we will just pour all of the money we have in helping needs which exist?

Mr. NEWMAN. I think that there are not the simple answers we are talking about. I think there are other alternatives. For example, I think it is perfectly feasible to think in terms of short-term aid programs. There is a developing institutional program which might get some added money and do some financial bailout on a selective basis where an attempt is made to determine what the need is, and to examine the problem.

One of the most effective schemes, in my opinion, is the one that several people have recently brought forward of financial institutional aid by providing money to the students who carry institutional aid along with them. I think that has had a great deal of appeal. I think it provides some element of market force and encourages responsiveness by the system.

Mr. DELLENBACK. So if I understand you correctly on this, you would be talking, in effect, about some type of GI bill or voucher system where the student takes his choice of institutions, but over and above the aid, there would be some aid at the school?

Mr. NEWMAN. Yes. I don't think we could do enough by simply providing more and more financial aid to the student and then allowing tuition to rise. We are so far away from the level required, you would have to do that on a really massive base; in other words, if you gave only money to the students, if you gave really massive amounts, ultimately, I think, you could achieve some sort of new balance that way.

But in the present circumstance, it would have only the advantage of relieving modest parts of institutional budgets, while sharply cutting the share provided by the student and his family. I don't think it would be very much help. In other words, the studies available at this time show there isn't much flowthrough from increasing student aid.

Mr. DELLENBACK. Let me ask one more question, and that is on the matter of student aid itself. What sort of package, if you can tell us simplistically or oversimplistically, would you see? I assume you would see a mixture of grant and loan aid from the Federal Government. If I am incorrect, correct me. But am I correct that you would see some sort of a blend here? Could you give us its rough parameters?

Mr. NEWMAN. I think there is a danger of overemphasis on the loan concept at the moment. I don't think in the bills up to the moment there is, but I think there is a tendency to talk of overemphasis on loans.

Mr. DELLENBACK. Should we place a statutory limit on how much loan should go on to any one student?

Mr. NEWMAN. Yes, I think that is useful.

Mr. DELLENBACK. Where should it be?

Mr. NEWMAN. In my opinion, in the undergraduate aid, somewhere on the order of $1,500 a year ought to be sort of an upper limit.

Mr. DELLENBACK. For 4 years?

Mr. NEWMAN. Yes, for 4 years. There are several reasons for this. Students are not uniformly determined to go out and work instead of borrowing. Some fail to see their accumulating loans in a realistic light.

Mr. DELLENBACK. What else would you put in there besides a loan with a limitation of this size on it? What else would you have?

Mr. NEWMAN. I think there is a great advantage in some Federal grants. State grants go to the middle-income students. I think there is an advantage in at least some Federal grants going to lower income students.

Mr. **Dellenback.** What would the maximum be you would give to any one student?

Mr. **Newman.** I think that should be a function of the institution, because I think there is an enormous difference in needs based on the institution one is at.

Mr. **Dellenback.** Should there be any maximum that should be available at the Federal level?

Mr. **Newman.** Yes, I think somewhere again on the order, depending on the total amount of aid that is available, of about $1,500, simply because there are so many students, and it must be spread out.

Incidentally, one thing Mrs. Green's bill provides is a great deal of useful flexibility to financial aid officers, because it allows them to make judgments; but the broad limitations are useful. One provision I don't think is useful is to give the financial aid officer the right to transfer work-study funds to grants. I think grants are very much easier to give out, and grants are easier to accept. There is a strong pressure to do away with work study and put it in the form of grants. This is an easy way out, and I think there is a great advantage in not giving that flexibility.

Mr. **Dellenback.** You would not make these completely interchangeable?

Mr. **Newman.** That is right.

Mr. **Dellenback.** Thank you.

Mrs. **Green.** Congressman Brademas?

Mr. **Brademas.** Thank you. I apologize for not being here, but I had to attend another subcommittee meeting. Could I just ask two or three questions very quickly. First, did I take it in your colloquy with Mr. Dellenback that you were suggesting that one way to provide assistance to institutions was, in effect, by the kind of cost of education allowance that the Kerr Commission has recommended when you talked about following the students to the institution with some additional help? Is that the kind of thing you have in mind?

Mr. **Newman.** I think cost-of-education allowance is a bad name. I think somebody called it a companion grant, which is better. I think cost-of-education allowance implies an analysis of what the cost of a particular institution is. I don't think that is the way to go.

Mr. **Brademas.** Now, the American Association of State Colleges and Land Grant Universities have said that on the average, I believe I am right, it cost $1,500 to the institution to take a new low-income student. If, therefore, the President's proposal to attract a million more students to higher education were carried out, this would represent an additional burden of $1½ million to higher education. I assume that $1,500 figure must be paid in some fashion. Are you suggesting it is not possible to come up with some calculated judgment of how much additional cost to the institution it is?

Mr. **Newman.** No. I am just saying I think the cost per institution varies enormously. There are some institutions that operate very effectively with very low cost for students, and there are other institutions that operate effectively at high cost. There is an enormous range around that $1,500 cost. Some institutions estimate it costs them about $4,000 to educate an undergraduate student. Some institutions estimate it costs $7,000 or $8,000 to educate an undergraduate student, and some estimate it is $1,500 or so.

So what I am saying is that the term of cost of education grant has the implication that the individual institution gets a different amount. It actually hasn't been proposed that way. That name simply implies that you get a different amount depending on the cost.

I think there is no advantage in saying there is agreement based on your cost. You have to compete.

Mr. BRADEMAS. One question with respect to the proposed organization and structure of the suggested national institution. I would be concerned, were there to be such an organization, about its integrity and automony. I think that the structure of it will have a great deal to do with whether or not it is perceived to be genuinely independent.

Can you give us your judgment on how any such foundation ought to be structured so as to make clear that it is not under the thumb of the Federal Government?

Mr. NEWMAN. I guess I am convinced when you say "genuinely independent," I guess I would be in favor of it being almost genuinely independent. I am afraid if it is totally independent of all other agencies of the Federal Government, it would want to recreate the wheel.

It will be terribly concerned about questions that belong in other agencies, perhaps, about disadvantaged student aid. It will be attempting to see a program which provides aid to disadvantaged students as an innovation, whereas really one standing back might say that isn't innovation, but rather a student aid program.

I don't think I want a foundation to go its own way. I think I want it to be confined to the task the rest of the Federal Government is not involved in.

I think its prime task should be the development and major changes in higher education.

Mr. BRADEMAS. That is an interesting analysis coming from you as chairman of the committee on reform and higher education, because that suggests, as I read you, that you want to put some blinders on that committee and you want that foundation board not necessarily free to engage in recommendations for innovation unless they are within the prescribed limitations of what ought to be considered.

I would be very distressed to see any such kind of foundation have that kind of rubric.

Mr. NEWMAN. I understand your point. I would like to find a different set of terms and maybe I could agree with your criticism of what I am saying.

It seems to me you want the foundation to be encouraged to stay in the field of innovation and not to take on the problem of being another agency to provide operating grants.

Mr. BRADEMAS. What if they don't like the way student aid is being handled and want to change it?

Mr. NEWMAN. Of course, you can vary it to a certain point. If you carry it far enough that they have got a whole variety of innovative things that depends on student aid, that makes sense. But what I am saying is that if they want to duplicate the existing functions of other agencies instead of working on reform because they have a different philosophy, that it seems to me is a loss.

Mr. BRADEMAS. I think that is a debatable point. Nobody has suggested that they should duplicate existing programs. What I would be concerned about, quite frankly, and what you have said to me only adds to my apprehension, is that they would not enjoy very substantial autonomy to make their own judgments about what in point of fact they feel necessary in recommending reforms.

Now, in that respect, I think some members of your own commission are now engaged as members of a task force to come up with ideas for the proposed foundation down at OE; is that not correct?

Mr. Newman. Yes.

Mr. Brademas. I confess, Madam Chairman, I have certain apprehensions about that kind of cross-fertilization, also. If your operation was founded by Ford, announced by the Secretary of HEW and suddenly we find members of your group engaged in counseling the administration on this particular matter, that may be appropriate, but——

Mr. Newman. You have a great deal more confidence than I have in our ability to have any uniformity of point of view.

Mr. Brademas. That isn't the point at all. It is a very good example of what I am talking about, and the apprehension to which I am giving voice, if we are really interested in seeing a national foundation for higher education, that will be really free of political control, then I think we have to be very careful about how we go about organizing it and structuring it. And I say this without regard to who is in charge of the Government of the United States. I wouldn't want a Democratic President using the foundation to take care of pet projects of his any more than I would want a Republican President to do so.

But I think I just give voice to my fears in this. I think if you started off—and, as you know, I have great reservations as to whether it should be started off at all, and everything you have said so far only deepens my fears about this.

Mr. Newman. If I could just add a point to this and perhaps deepen your fears some more, although I would hope it would go the other way, it seems to me the restriction placed on such a foundation is not a restriction as to what it sees as a good idea but on the field which it operates. In other words, I think the more important restriction would be congressional intent.

I think the most important thing would be for Congress to write in that the intent of this foundation is to concentrate on the question of reform and change in higher education.

If that is blinders, then I would favor blinders.

Mr. Brademas. Obviously, that is not what I mean.

Mr. Newman. That is the kind of restriction I am referring to. I am saying that if the foundation decides other functions of government are not being done well and moves on into those, that would be a mistake, because reform is very difficult. People don't like to take a risk and do the doggy work that is really involved in trying to get new things off the ground. That is very hard and subject to constant criticism, and it is a lot easier to do safe and easy things.

Mr. Brademas. Doesn't developing new ways of carrying out existing programs constitute a manner of reform?

Mr. Newman. Surely, and the difficulty comes in drawing the line, and here is where intelligent people are needed. I don't mean to argue that.

What I am saying is that if it becomes an agency which simply provides routine support for colleges on a routine basis——

Mr. BRADEMAS. Nobody suggested that.

Mr. NEWMAN. What I am saying is that there is a desirability in the structure and intent to make sure that isn't its intention. I wouldn't propose at all that there be some Presidential restrictions that say here is the type of reform we want to see happen and now go to it.

Mr. BRADEMAS. Thank you very much.

Mrs. GREEN. Congressman Steiger?

Mr. STEIGER. I have no questions.

Mrs. GREEN. Let me pursue this a moment further, if I may. The main purpose is reform. But you are going to have innumerable applications for grants from the 2,600 institutions across the country. You are going to have the same operation you have in the Office of Education now. You are going to have to have a panel of readers.

I think everyone would agree that we have created a new profession of grantsmanship. A few professional grantsmen master the art of grant application.

Then a panel of readers screen the applications, and they are the ones who decide whether or not this is the kind of reform we ought to have in the United States today.

Then only the applications they approve go to the advisory board. That is the way it has to work, because the advisory board couldn't possibly read them all.

Now, this seems to me to be a rather bad way of bringing about reform. I really don't understand your recommendation for the Foundation when earlier in your testimony you said very clearly that the real change comes from those people within the institution who get a bright idea and who are persistent and decide this is the way we are going to change this institution.

You, yourself, said that this was the best kind of change we have in the United States.

Mr. NEWMAN. Yes; and I believe that.

Mrs. GREEN. I do, too, and it seems to me I see all over the country all kinds of changes in higher education coming from within the institutions themselves.

Mr. NEWMAN. Mrs. Green, I guess I am not as fearful that creation of such an institution would lodge within it such enormous power in the sense you have described. I haven't been involved in the question of the Foundation, so I am not really that close to it, but if I remember correctly, the budget proposal so far is $100 million. That is out of a $23 billion or $24 billion expenditure in higher education. So that isn't an enormous share of the total costs of higher education.

Second, while there is indeed a grantsmanship ethic that has developed in this country, which has its abuses as well as anything else, we made a very careful evaluation to find other means that have been successful so far in getting new concepts off the ground. What we kept coming back to is that the most successful innovations tend to come out of somebody who got hold of a grant and used that as a vehicle—not always, but that is most often the way they come about.

So it seems to me the risk of perversion, to do the wrong job, the risk of inadvertent politicization through a determined effort by a political party to make it a politically based instrument, or the risk that it will not be responsive enough to new types of innovations bubbling up from below—all of those are real, and they argue in favor of very careful structuring. They certainly don't argue in favor of not doing anything.

It seems to me the major problem we have is that it is just very, very difficult for someone who is determined to try to do something new and different in the field of education today and find the opportunity and find the funding.

We were talking one night, as you will recall, with Mrs. Cohen, of her experiences in getting her institution off the ground. It is a heartbreaking story to see what a task it is for an obviously succesful and dynamic enterprise just scrambling all over trying to find someplace to find the sustenance for itself.

There is a value in scrambling, but there ought to be someplace to turn, just as in the value of the NDEA program, where lots of times when the banks won't loan money there is at least one loan program you can turn to.

I think this is the case here. I don't think we are talking about funding all innovations. At least I am not proposing it. I wouldn't propose to fund all new ideas out of the Foundation. I just say we are terribly shy of this in this country.

Mrs. **Green**. What can the Foundation do that the Office of Education cannot do?

Mr. **Newman**. Well, no new types of institutions are presently funded in the Office of Education.

Mrs. **Green**. They have the money.

Mr. **Newman**. There is no program that sets aside money for that type of risk. For example, Mrs. Cohen has had a terrific time to find a spot in OE to fund her institution.

Mr. **Brademas**. Would the chairman yield?

Mrs. **Green**. Yes.

Mr. **Brademas**. I share the point made by Mrs. Green. There are plenty of existing educational authorities in the Higher Education Act which would provide opportunities for the Office of Education to fund all kinds of innovative programs, and part of it may be due to the recalcitrance of Congress appropriating adequate money for some of those programs authorized.

But you have got Network for Knowledge, for instance, which is aimed at providing certainly innovation in the way of cooperating among colleges and universities with computers and TV and all of the rest.

You take the developing institutions program, of which Mrs. Green is the author. That certainly is a program that could be used to promote reforms, and one could go down the line and point to them.

Mr. **Newman**. There are a couple of points that are very important in this. One is that it is true that an imaginative person in the Government, an imaginative grantsman, if you want to put it in the most pejorative term, let us say, and an entrepreneur really determined to take the institution off the ground with a new style of learning, those two together can find a way to do it.

But most people don't want to take a risk. It is hard to take a risk within a government agency. Consequently, it almost seems like a distortion, for example, of the developing institution's program, if one were to go outside of an educational institution and fund a completely different type of animal out of the developing institution's program.

Mr. **Brademas.** I can only tell you that Clark Kerr in a forthcoming article is to recommend that the developing institutions title be used to encourage innovation in developing institutions. So there is one colleague in the field saying just that.

Mr. **Newman.** I would anticipate that a completely new type of innovation would be better served by the Foundation, but one could use the developing institutions program. I think you could do it there.

I am just saying that the conditions are hard enough as it is that it is worth setting up a separate institution and saying it is your job to do this reform. Then I think you will get more attention to the problem.

Now, there is the danger it will be used for incorrect purposes. There is the danger that it will be structured incorrectly. Those seems to be much less serious than the danger if we don't do anything.

Mr. **Steiger.** Would you yield?

Mr. **Brademas.** I yield.

Mr. **Steiger.** I must admit, I am somewhat put off by the readers concept in the foundation. I must admit I haven't heard anybody propose that we duplicate the process that the Office of Education has developed historically. I haven't heard a recommendation by the administration that they set up panels of readers and do this on a kind of grant basis, as I think you suggested.

I think that would be bad, frankly. I don't want to go that route.

Mrs. **Green.** Well, I would like to have you suggest how it would be done. Suppose you have 2,600 institutions and they can each generate at least 10 applications. So, hypothetically, you have 26,000 applications. Do you think these 15 people are going to read all of them?

Mr. **Steiger.** If you are talking solely about the board, I would think that would be an exceedingly difficult job. My only answer would be that the Ford Foundation operates with a budget far in excess of $100 million and doesn't set up panels of readers to make its determination.

I think the same idea and same route can be taken in the development of this foundation.

I would really be very concerned about attempting to duplicate in the foundation what we have created in the Office of Education.

Mrs. **Green.** Every single department of government operates on this, whether it is juvenile delinquency or any other.

Mr. **Brademas.** Of course, it is also true, especially if we are talking about innovation in higher education, if you follow the recommendations of the Newman report, which, I hasten to add was emphatically exciting and quotable, that you don't want to turn only to existing institutions of higher learning to carry out reform.

So to your 2,600 institutions, whatever the number is, you would have to add all kinds of other numbers of nonformal institutions or people or groups that also might want to hopefully get in on the action.

Mr. **Newman.** But isn't this a little bit like arguing that the humming bird can't fly? Of course, it is true there will be enormous numbers of people interested in grants simply because there is money available.

I guarantee you that if you put up your hand and say you think there ought to be reform that you are going to be absolutely deluged by mail from people saying they have the world's greatest idea and one reading through the letter and I think you ought to call for the people in the white coats.

But at the same time it will be obvious that you will be inundated from people who are deeply involved in education and want to find ways of reform.

I am astounded at the response we have had to our report. I think there is a tremendous climate. We have heard from chancellors of State universities, from students, from faculty members, from all sorts of people, board members, people all over the country, all arguing that there ought to be opportunities. They are behind that.

I think you are right that there will be a lot of people interested in the whole question of reform. There will be interest inside existing institutions as well as outside with different ideas.

I think those are very real practical problems, and I don't think that makes it any less necessary to find a working method, only more necessary. I think it is true that it is hard for the Office of Education within its present structure to be manipulatable and have the staff to do what is necessary. That, it doesn't seem to me, makes it less desirable to do it.

Mrs. GREEN. I am going to, one of these days soon, invite your attention to a file drawer I have upstairs of grants and contracts that have been given by the Office of Education for innovation, reform, change. It is a pretty dismal picture. It doesn't make me enthusiastic about the foundation and how it would be any different. In fact, I think it might be much worse.

Let me go on to a couple of other things. When you spoke about student aid, you said that you did not want the work-study to be transferred over to EOG. Aren't the people in any institution capable of making that judgment if you allow total flexibility to the institution?

Mr. NEWMAN. Well, I think there is a great value in many of the proposals that you are making in terms of providing flexibility to the financial aid officers.

Mrs. GREEN. To the institution, but the financial aid officers would carry out the policy.

Mr. NEWMAN. Right, as a representative of the institution. I have been a member of a committee that gives out the grants to minority students from a private group formed in California that raises the money, and going through that process reminds me all over again of the difficulty of trying to operate by flat formulas as to how much a student should or should not get. The situations just cry for individual attention.

On the other hand, institutions of higher education are subject to a lot of pressures themselves, and those pressures are not always in the best interests of either the student or general public or anyone else.

For example, students feel very strongly why they shouldn't get a loan or job if somebody else gets a grant. So, given a chance, the pressures would be very strong for institutions to transfer loan funds into grants and work funds into grants. It is very hard.

It takes extra energy and it takes time to set up really serious work-study opportunities. When they are set up, they provide a very important educational advantage.

The temptation is that you are pressed and there are lots of things going on and student pressure is intense, and there are all sorts of sometimes specious arguments that are made: "We poor students are being forced to work while the other guys are getting through on a free ride."

Sometimes it is true and sometimes it has no bearing in fact.

Those pressures often influence decisions, and I think, generally, where there is an advantage to flexibility, allowing transfer of work-study funds to grants I think would tend to serve the public poorly.

Mrs. **Green.** Well, I happen to be far more in favor of work-study than I am in EOG. If we give institutional grants, would you want us to put any strings on telling the institutions how they are to spend those institutional grants?

Mr. **Newman.** No; in fact, if there is a formula system, if that is the way it goes, then I would be in favor of it being the institution's responsibility as to how it spends it.

Mrs. **Green.** I don't understand. It seems to me that putting together a package of student aid is a relatively simple thing to do, in spite of the pressure you have outlined, vis-a-vis deciding how institutional aid would be spent where there are all kinds of pressures. There are alumni, athletic departments, and others, who are going to be yelling. There would be every pressure conceivable.

Now, you haven't suggested that Congress protect the institution and tell you how you are going to divide up that institutional aid. Then it seems to me if putting a student aid package together is so much easier, why do you want us to put strings on that?

Mr. **Newman.** In every case, it seems to me, one is tempted to carry the point of flexibility as far as possible; but I think you reach a point where the obvious disadvantages of flexibility begin to creep in, and it is only then I would be in favor of limiting the flexibility involved. That is the point at which I draw the line in terms of work-study funds.

I think that the general concept of institutional flexibility is a good one. I don't think that institutions with a maximum amount of flexibility in turn always follow the public interest. I really don't think that always occurs.

I would like to think it occurs. I would like to think that my institution is sufficiently altruistic and publicly oriented that it in fact if given money freely would follow the public interest. But I don't, in fact, believe that is the way it always works over the long term.

Mrs. **Green.** Then you are recommending if we give institutional grants that we earmark so much for libraries and science departments?

Mr. **Newman.** No; because there are other programs that do that. But let me give you an example. Presumably, complete autonomy has been given to private institutions in the past in terms of how they spend their money, but private institutions just like public institutions have followed the path of increasing Ph. D. programs in overcrowded fields and not carrying on programs that are more relevant to today's world.

All I am saying is that there is a need for long-term public interest to be represented as well as a need for institutional flexibility, and those are conflicting demands.

Yet, somehow you have to learn to walk that tightrope between them.

Mrs. GREEN. Would you put any other limitations on the student aid package?

Mr. NEWMAN. None I can think of other than the ones we have discussed.

Mrs. GREEN. Not that work studies should not be transferred over?

Mr. NEWMAN. And how much you can give a student in loan funds. I have had a student who was working part time who had arrived at a point where he had $11,000 in outstanding loans, and his view was that loans don't mean anything. My bet would be that the financial aid officer was closing in on him. My bet would be that 5 years from now he will view that $11,000 differently than today.

I don't think one should allow students free shot at everything. I think there are some necessary boundary lines.

Mr. STEIGER. To go back to the question of institutional aid, you are not recommending to the subcommittee that we should adopt an institutional aid program.

Mr. NEWMAN. No, sir; I am not—let me take that back. I am not recommending a formula-type institutional aid program. I do think, indeed, there should be serious consideration of increasing institutional aid through some of the other avenues we are discussing. I think some institutions are in great need of institutional aid.

Mr. STEIGER. I wanted to make sure you did not leave that stand, since I am one who concurs with you on the formula problem.

I might say, Madam Chairman, I must apologize. I am supposed to meet with the President at 5 o'clock and, therefore, I will have to leave.

I would simply say both to Frank Newman and to Alice Rivlin—and, Alice, I am sorry I cannot stay here, because I would like to pursue your testimony, which I think is great—that both of you have done an excellent job. Most of all what I appreciate is the fact that there are questions being raised which often, frankly, I don't think we have raised and which I think are desperately needed to be raised in terms of what the appropriate role of the legislative process in the Federal Government is in the field of higher education.

So I apologize to you, and I apologize to you, Madame Chairman, for having to leave.

Mrs. GREEN. Let me pursue this. If I do understand you correctly, you do recommend institutional aid?

Mr. NEWMAN. Yes.

Mrs. GREEN. You recommend it first on a project grant basis?

Mr. NEWMAN. Yes.

Mrs. GREEN. Would you have the foundation?

Mr. NEWMAN. The foundation seems to be a form of institutional aid, but a very specialized form of it.

Mrs. GREEN. The Office of Education would give the institutional aid, then, on a project grant basis?

Mr. NEWMAN. We already have some forms of institutional aid now. For example, many places, including ourselves, have operated the computer centers on an institutional aid grant. It is one form, and it has the advantage that if computer centers in the long run turn out to not be a good thing, that will go away, and we will have to scramble for funds in another direction. So there is some flexibility.

To be specific, yes, I think there is an advantage in an institutional program which provides institutional aid.

I think there is an advantage in expanding the concept of project grants which has historically gone to a narrow spectrum of instruction to do the broader spectrum's tasks.

Mrs. GREEN. This would depend upon their reaction to the applications for funds. It wouldn't necessarily be on the financial needs of the institution.

Mr. NEWMAN. I think one of the very difficult questions is: How does one deal with a situation where institutions have very strong needs but either respond poorly to the general need of their students, their clientele that they are serving, or are not moving in a general direction of excellence?

I had the chance to talk with the office of the New York State system that has developed a general formula institutional aid program, and they are worried about this. What about the sort of institutions they are keeping alive that are not doing a very good job? How does this aid encourage them to either reform and strive for some form of excellence or should New York State cut them off the program? That is, of course, a very difficult dilemma.

I guess what I am saying is that there is probably a necessity for some short-term financial aid to really distressed institutions, which might be done through the developing institutional program.

There is, in my mind, a very strong need for reform, which, like the foundation, may be an avenue. But I think there is a very great benefit in thinking of companion grants with students which would tend to help create a market-type condition.

Mrs. GREEN. Companion grants for the students who are getting EOG grants?

Mr. NEWMAN. There are many other avenues. For example, there are many graduate students who get Federal grants.

Mrs. GREEN. They already do get it in the institution?

Mr. NEWMAN. Surprisingly very few. At one point there was a considerable amount of them. But many of them now have a grant of $2,500, but out of that the tuition is paid and, of course, at many private institutions that means there is simply only tuition payment.

But there are many other students on Federal grants. The GI bill is the obvious case. Or one might even create a class of students like the merit scholarships where one gets $100 or the institution gets $300 or $400.

Mrs. GREEN. It is along the line of giving an institutional grant for an individual who is getting financial aid, more than for the student who is going to a college and not getting any aid?

Mr. NEWMAN. It adds a dimension to the institutions drive to attract students, a modest one and not a strong one—but it is better than anything available presently in the sense it adds an incentive to compete.

Mrs. GREEN. Why is it in the interest of the institutions to go after that student any more than the one who is paying his own way?

Mr. **Newman**. In the process of going after that kid, the way they compete is to make themselves more attractive as an institution and, in turn, they become more attractive to all students.

Colleges in fact sometimes think they can not be competitive, but indeed, they compete for students and funding.

Mrs. **Green**. They compete just as much for the kid who goes there entirely on his own and is paying his own way?

Mr. **Newman**. Every kid who comes in, either through student aid or through his father's wealth, or something else, pays tuition. What I am recommending is that, in addition to tuition, he bring along a companion grant.

Mrs. **Green**. But only for the ones who are getting student financial aid. If the kid is paying his own way, then there is no reason that the institution should be getting any money for him.

Mr. **Newman**. I am sorry. Let me try that again. Suppose you took every GI bill student. There is a category of students whom our society says are socially deserving individuals. They have responded to a national concern, and we provide them with student aid in response.

We would like those students to be attracted to college. We have all sorts of programs now where we are trying to recruit at Fort Dix, and so on. Supposing in addition to coming with the GI bill, they brought a companion grant for the institution. Institutions would want to become more attractive to the GI bill students.

Mrs. **Green**. Wouldn't this be for just the guy who was a GI if he brought a grant for the institution?

Mr. **Newman**. Sure.

Mrs. **Green**. This is my point. Why do we make an institutional grant for some and not for every youngster who is enrolled in that institution?

Mr. **Newman**. Because, first, it would be terribly expensive and, secondly, if you arrive at the point where every student who enters has a companion grant with him, then there is no element of competition left and we have taken out the element of competition.

Mrs. **Green**. Thank you very much. We appreciate your coming.

Mr. **Newman**. I appreciate the chance. But I am going to worry all night about Max Rafferty as the director of the foundation.

Mrs. **Green**. Our next witness is Alice Rivlin who is at the Brookings Institution and, I understand, IED; is that right?

STATEMENT OF ALICE M. RIVLIN, SENIOR FELLOW, BROOKINGS INSTITUTION

Mrs. **Rivlin**. I was on the board of IED. I have resigned because of the pressure of other business.

Mrs. **Green**. Would you proceed with your statement.

Mrs. **Rivlin**. Madam Chairman, since we are running late, would it help you if I summarized my statement?

Mrs. **Green**. Fine. We would make it a part of the record at this point and if you would summarize it.

(The statement referred to follows:)

STATEMENT OF ALICE M. RIVLIN, SENIOR FELLOW, BROOKINGS INSTITUTION[1]

Madam Chairman: I am happy to have an opportunity to meet with the Subcommittee again and to offer some views on the critical subject of higher education legislation. Since I last met with this subcommittee in December 1969, the debate on higher education has become more focused and, in recent weeks, has crystallized around consideration of two bills: the Administration's bill (H.R. 5191) and your own bill, Madam Chairman, (H.R. 7248), co-sponsored by several other members of the committee.

Because I know the subcommittee is coming down to the wire in its consideration of these bills, I would like to devote this statement to a brief discussion of three issues which seem to me to be particularly crucial to your decisions. Two of these issues have to do with student aid: 1) who should decide whether a student is eligible for aid, how much, and what kind? 2) to what extent should aid be focused on the neediest students? The third issue relates to institutional aid: should the federal government provide general aid to higher education institutions and, if so, in what form?

STUDENT AID: WHO DECIDES?

H.R. 5191 and H.R. 7248 have important similarities with respect to student aid. Both bills recognize the importance of the federal role in improving the capacity of students to finance higher education. Both recognize the need for the federal government to utilize a variety of tools—grants, work-study, subsidized and unsubsidized loans—in order to ensure an adequate flow of funds to students. Both bills propose a new role for the federal government: setting up a secondary market for student loan paper in order to increase the volume of funds and maintain a steadier flow of credit for students. In addition, H.R. 7248 proposes giving students who support themselves by working the equivalent of an income tax refund.

I strongly applaud the recognition embodied in both bills of the federal commitment to student aid. I believe that the highest priority should be given to ensuring that students who believe they may profit from higher education are not barred by a lack of money. Like the authors of both bills, I believe that both loans and grants should be used and that more effort should be made to increase the flow of private credit into student lending.

Both bills widen the variety of opportunities available to young people by extending aid to students in accredited proprietary institutions. H.R. 7248 takes another important step (missing in the Administration bill) in extending aid to part-time students. This seems to me to be not only an encouragement to self-help on the part of students, but also a recognition of the shifting role of education. Education need not and should not be a full-time, once-in-a-lifetime activity undertaken at the beginning of a working career. Education can and should be pursued by many people part-time at various stages of their careers. Aid to the part-time student may reflect a more general effort to integrate education with the rest of life.

The Administration bill, however, seems to me to establish an important principle which may be lost if H.R. 7248 is enacted. The Administration bill states that it is the purpose of Title IV "to provide assistance to students, in the form of grants, loans, and compensation, to the end that no person capable of benefiting from such education will be denied it because of financial inability to meet basic postsecondary education costs" (Section 400). It goes on (in Section 402) to set up a procedure under which the Secretary of Health, Education, and Welfare would establish criteria of eligibility for subsidized aid (grants, work-study, and resource equalization loans). These criteria would apply to *all* students admitted to eligible institutions and would depend on family income, family size, and other objective factors.

While one could argue over exactly what these federal criteria ought to be—how much parental contribution should be expected, for example—it seems to me that their existence is the important thing. Promulgation by the federal government of national eligibility criteria would ensure fairness and equal treatment of students in different areas and at different kinds of institutions. The official voice of the federal government telling students that they are eligible if they meet specified criteria will take at least part of the uncertainty out of their planning. Young people everywhere would know, while still in high school or junior high school, that if they stick with it and meet admissions standards, they will be eligible to pursue their education beyond high school. They will know what the rules are and how to qualify. This sense of certainty should contribute to a student's aspiration level and motivation to finish high school.

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[1] The views expressed are my own and are not necessarily those of other staff members, officers or trustees of the Brookings Institution.

National eligibility criteria for student aid seem to me to be consistent with the current trend toward making the delivery of social services less paternalistic and erratic and more subject to clear rules that everyone understands and whose fairness is subject to public scrutiny.

H.R. 7248, by contrast, would leave the determination of eligibility as well as the amount and the mix of aid entirely up to the institution to which the student has been admitted. Indeed, the bill specifically prohibits the federal government from issuing any "rule, regulation, or guideline which restricts the freedom of an institution of higher education (acting through its student aid officer) to select for each student the particular types, or proportions, of student assistance to be provided him from funds available to the institution for educational opportunity grants, work-study, or student loans." (Section 467)

The premise behind this provision of H.R. 7248 is presumably that the student aid officer is closest to the scene and can most sensitively evaluate the needs of particular students. There is no reason to think, however, that these judgments would be uniform or that a student would be able to find out in advance of admission to the institution whether or not he would be eligible for aid and how much. The current uncertainty that surrounds student aid availability, especially for low-income students, would therefore be perpetuated and enforced.

Many student aid officers are doubtless sensitive judges of student need, just as many social workers are sympathetic and able to determine family needs for welfare and many doctors are close to patients and able to determine which ones should be asked to pay and which should not. Nevertheless, what is gained in relying on these personal judgments of individual need seems to me far less than what is lost in paternalism, arbitrariness, and potential for abuse. Just as we are moving toward national standards of welfare eligibility and medical assistance, I believe we should move toward national standards for student aid eligibility.

CONCENTRATING ON THE NEEDIEST

A second principle underlying H.R. 5191 is the principle of giving priority to the neediest student when federal funds are not adequate to meet the needs of all students. This principle is not clear in H.R. 7248.

H.R. 5191 is a complex piece of legislation, but its central idea is relatively simple and I think right. It would divide federal assistance to students into two distinct parts: 1) subsidized aid (grants, work-study, resource equalization loans and cost-of-education loans) available in limited amounts on the basis of need, and 2) unsubsidized loans available in more generous amounts to all students. The idea is to use a combination of grant, work-study, and resource equalization loans to ensure all low-income students access at least to low-cost institutions. In the Administration's examples, a student from a family with no ability to contribute might receive $1,000 in grant or work-study funds and $400 in subsidized loans—funds that would presumably allow him to attend a low-cost public institution not too far from his home. (In addition, subsidized cost-of-education loans would be available to help needy students defray expenses at more expensive colleges.)

Under H.R. 5191, it would not be possible for high-cost institutions to concentrate their Federal grant funds in relatively large amounts on a few students.

There are hard choices involved here. The Administration bill would spread Federal grant money over more students in smaller amounts, making it possible for a larger number of students to go to low tuition colleges, but not so easy for low-income students to go to high tuition colleges (without shouldering a heavy loan burden or obtaining supplementary aid from the college itself). In other words, the Administration bill implicitly says that it is better to send three low-income students to a community college for $3,000 than use the same amount of Federal funds to send one low-income student to Stanford or Sarah Lawrence. This is obviously not an easy decision, but it seems to me that if a choice must be made, the priorities reflected in H.R. 5191 are the right ones.

A corollary feature of H.R. 5191 is the elimination of the subsidy (both interest paid while the student is enrolled and the "special interest adjustment allowance") now paid by the Federal Government on loans to students from families with adjusted incomes under $15,000. Under H.R. 5191, subsidized loans would be available only for students who met stricter eligibility criteria based on income and family size.

Again, there is a hard choice involved. The elimination of the Federal subsidy would make borrowing for college more expensive for families above the H.R. 5191 eligibility limit than it would otherwise have been. The family with several children at expensive colleges may find this increased burden difficult to bear even if their income is, by usual standard, quite high. Nevertheless, when funds must be rationed and are not adequate to meet all needs, it seems more equitable to concentrate them on the neediest than to spread them over a larger number of families, many of whom have substantial other resources and can make it on their own.

H.R. 7248 does not reflect a similar intention to give priority to lower income students. The Educational Opportunity Grant Program would continue to aid students of "exceptional financial need," but need would be determined, as is now, by individual institutions. Students from middle-income families would be considered needy at high tuition institutions but not at low tuition ones. If, as has been the case in recent years, only a portion of the institutional requests for funds could be filled, some low-income students would be turned away while higher income students at more expensive institutions receive grants.

With respect to the work-study program, H.R. 7248 emphasizes the lack of intention to give priority to low-income students by explicitly deleting the following words, "in the selection of students for employment under such work-study program, preference shall be given to students from low income families" (Section 424). H.R. 7248 also retains interest subsidies in the guaranteed loan program. Moreover, the present restriction of interest subsidies under that program to families with adjusted incomes under $15,000 would be dropped in favor of institutional determination of need. If an institution said a student needed the money, he would get the subsidy no matter what his family income.

The exact distributional effects of H.R. 7248 are hard to anticipate since so much depends on the discretion of student aid officers. The clear possibility exists, however, that substantial portions of the funds would be devoted to middle- and upper-income students while lower income students were denied assistance. This would seem to me to be a large step backward in the effort to provide equality of opportunity for higher education in America.

INSTITUTIONAL AID AND THE FINANCIAL CRISIS

The other important difference between the two bills is that H.R. 5191 gives primary emphasis to student aid while H.R. 7248 also includes a major new program of higher education general assistance to meet "an emergency condition . . . which threatens the continued ability of many institutions of higher education to provide the education necessary to enable our citizens to make their full contribution to the Nation's economic and cultural development" (Section 801). Under this program, each institution would receive $100 per full-time equivalent lower division student, higher amounts for upper division and graduate students and a bonus for the first 300 students, intended to be of special help to small institutions.

Is there really an emergency or a crisis in higher education finance and, if so is this type of institutional aid program the best way to meet it?

Hard facts are difficult to assemble in this area. My own impression from available studies and conversations with higher educators is that there is no *general* crisis of higher education finance. Rather, there are several sets of factors affecting various kinds of institutions in various ways at the same time, some permanent and some temporary.

1. Some major research institutions are suffering from cutbacks in federal research programs or federally funded graduate study programs. Some of them hired tenure faculty in anticipation of continued federal funding and now have to meet these salaries out of their own sources.

2. Some, but by no means all, state-supported institutions are suffering from smaller than usual increases in state support, partly due to state legislative reaction to student radicalism, partly to the general tightness of state budgets in the face of rising expenditures for other purposes and resistance to tax increases.

3. Some institutions, especially private ones, are finding themselves overextended as a result of ambitious attempts over the last decade to improve the quality and variety of their programs to attract better faculty and a more nationally representative student body. Some find themselves with expensive commitments to scholarship programs, others with dormitories and other buildings, often financed with federal funds, that can no longer be filled.

4. Some institutions are suffering the combined effect of recent recession and inflation. Private institutions are the hardest hit. Private gifts have dropped sharply, although they seem likely to recover somewhat this year. Students are less likely in a recession to be willing to pay the difference between public and private tuition. At the same time, wages, salaries, and other costs have continued to rise steeply.

5. Some institutions no longer offer what students appear to want. The small rural institution with strong religious flavor may be remembered by many of us as an idyllic place to spend four years but may no longer be attractive to young people, especially if it is isolated and for one sex only.

It is certainly not obvious that a program of general support for higher education is the appropriate answer to all or even most of these varied financial problems.

Where the major problem is adjustments of the institution to a cut in federal research or some other temporary reversal of fortunes (perhaps associated with recession and inflation or just poor planning), some more specific emergency assistance should be considered. Emergency loan programs for institutions in trouble, a moratorium on debts to the federal government or some kind of transitional assistance to ease the phasing out of federal programs would be far more desirable than the enactment of a general support program to meet these temporary crises. The general aid funds would quickly become expected and permanent parts of all institutional budgets. There is no reason to think that future temporary crises would be lessened by the existence of this type of aid.

Where the problem is the inability of private institutions to compete for students with cheaper public institutions, general aid of the type suggested in H.R. 7248 will not alleviate the problem. Aid will go equally to public and private institutions and any differentials between them will tend to be maintained. A more adequate student aid program which would enable public institutions to increase their tuition without fear of closing opportunities to low-income students would do far more to improve the competitive position of private institutions vis-a-vis public competitors. Where the problem is simply lack of demand for the product or student dissatisfaction with the type of institution, federal aid will probably not help, or not for long. There is nothing in the proposed program to induce changes in the way institutions are run or greater responsiveness to student desires.

Where the problem is attributable to increases in enrollment, especially enrollment of low-income students, under federal student aid programs, a different type of institutional aid would seem to be in order. If the federal government is to continue and increase its commitment to equalizing opportunity for low-income young people, it will be bringing large numbers of these students on to campuses without increasing the resources of these institutions to meet the needs. A strong case can certainly be made for giving aid to institutions in the form of cost-of-education allowances to help defray the additional costs of educating a federally aided student. Such a proposal is embodied in Senator Mondale's bill (S. 1161). The case for the cost-of-education allowance seems to me far stronger than that for general institutional aid. The cost-of-education allowance program would channel institutional aid to those institutions bearing the heaviest burden of educating low-income students and helping to meet a federally determined need.

Mrs. Rivlin. I am very happy to have another chance to talk with the subcommittee. I think since I last appeared in this spot, a little over a year ago, things have crystallized a great deal, and we are now considering very seriously several specific bills.

This statement concentrates on two, the administration bill, H.R. 5191, and your own bill, H.R. 7248, and particularly on three issues, two of them with respect to student aid and one, the major issue, of institutional aid.

While I think both of these bills place important emphasis on student aid—and I applaud both of them because I believe that student aid should be a high Federal priority, they do have some differences, and I would like to draw them to your attention very briefly.

H.R. 7248 takes an important step in extending aid to part-time students. I think we now have a somewhat changing concept of higher education and post-secondary education. It need not be something that is done full time between the ages of 18 and 21. It ought to be more an occasional lifetime activity in which part-time students of different ages ought to be supported.

Two other major differences between these bills, though, are discussed here. They are, very briefly, that the administration bill seems to me to establish a very important principle which might be lost if H.R. 7248 were enacted; namely, the principle of a national criterion of eligibility for student aid.

If the determination of who is eligible and how much aid and of what sort is left up to individual student aid officers in colleges all over the country, of which there are some 2,600—and when one includes proprietary institutions, there may be now several thousand more—it seems to me we are likely to get a very erratic standard of who is needy and who is not.

While there are some things to be said for this, the danger is that students will not know until they have gone through the process whether they are going to be eligible for aid and what kind. A student runs the risk of being turned down at one institution while a less needy student is accepted at another.

The other difference that I wanted to bring to the subcommittee's attention is the principle which I think is clear in the administration bill and which I think is right; that when Federal funds are limited in amount, an effort should be made to concentrate on the neediest students and students from the lowest income groups who would have the most difficulty in financing their education in other ways. It seems to me to be a step backward to take out the needs test in the present programing.

Finally, I turn to the question of institutional aid, which, I regard as the most difficult before this subcommittee, and try to assess the nature of the crisis—and I think there is a crisis in higher education financing—and what might be done about it.

The difficulty, it seems to me, is that I perceive no single, general crisis as I talked to higher educators and look to studies of this subject.

It seems to me there are a lot of different crises affecting different kinds of institutions. The major research institutions are suffering partly from cutbacks and from lower rates of increase in Federal funds. Some State institutions are also suffering from cutbacks or lower rates of increase in State support.

Many private institutions are finding that they have priced themselves too far above the competition from public institutions, and they are particularly in trouble in the double context of the recent recession, which has often led to lower applications to private institutions and increasing inflation.

And, partly, it is a difference in the shifting demand of what students want in higher education. Some institutions are no longer providing what students really seem interested in in the 1970's.

Facing these complex sets of factors, it is not at all obvious to me that a general program of formula institutional aid is the right answer.

It would seem to me—and here I agree with what I think Mr. Newman was saying—that we should use more selective instruments better adapted to meeting these various kinds of crises. Where we are dealing with an institution in temporary trouble because of Federal cutbacks or because of overexpansion or poor planning, there may be emergency ways to meet this problem, such as emergency programs or a moratorium on debt, or some special kind of transitional assistance for institutions that are suffering special kinds of temporary problems.

Where the problem is private institutions having to compete for students with cheaper public institutions, I do not see that the formula is an answer. It goes equally to the public and private and maintains the differential.

It would seem to me far more sensible as a way of meeting this problem to give more generous student aid so that the public institutions are able to charge some tuition to those who are able to afford to pay without pricing themselves out of reach for those who cannot afford to pay.

Finally, where the major problem—and I think it is a major problem in many institutions—is an increasing enrollment, especially of low-income students partially financed by Federal aid programs, it seems to me the appropriate answer is what I have called a cost of education allowance and what Mr. Newman has called a companion grant, namely, a grant which a federally aided student carries with him to help the institution to defray the additional cost of carrying the burden of his education.

That is a brief summary, Madam Chairman. Let me stop there and answer any questions you may have.

Mrs. Green. Congressman Brademas?

Mr. Brademas. Yes, Madam Chairman. I think your statement has posed as succinctly as any of the others I have seen some of the real issues we have to resolve in this legislation.

One of the questions, I suppose, with respect to where appropriate emphasis ought to be on student aid is one I would like to pursue a little further with you.

You made, I think, a statement that, presuming we only have a certain amount of money for student aid, you think priorities should be given to low-income students, I believe.

I happen to agree with you.

But what distresses me is that in the administration proposal we are put into a box on that issue. The administration witnesses who have come before us have said our hands are tied, and we just don't have as much money as we would like to have and, therefore, we propose to restrict all Federal money for students who are low income students.

I don't know that we agree with that point of view. In all candor, I resent being told I have to trade off middle-income bodies against low-income bodies.

What I don't understand is why we can't help both. If this means that the administration has to spend less money someplace else, let them spend less money someplace else, but don't tell us that we have to throw the middle-income students out or the low-income students out.

Do you have any comments on that?

Mrs. **Rivlin**. This, of course, is the hardest kind of a problem. I could name 10 programs, and you could, too, that I would be happy to see go down the drain before higher education.

Nevertheless, I think the principle in the administration bill is the right one, although they may not have drawn the lines in the right place and they may not have the right definition of who is needy. That such funds as are appropriated by the Congress should be used to help low-income first and middle-income after seems to me to be the right principle.

Mr. **Brademas**. Well, you have restated my question, and I have already indicated I don't quarrel with that, but the point is, the way in which this question has been put by the administration, has put this committee in the position of appearing to be trading off low-income students in favor of aided institutions.

Now, I had conversations with people today who said to me that the bill that some of us have cosponsored here and introduced by Mrs. Green is really a selling out of low-income students in favor of aid to institutions.

Now, I must say, in all candor, that is not the way I read it, and I just come back to this point, that, if we were to adopt the administration's view that the only group for which Federal aid would be provided will be low-income students, then we would have capitulated to the administration's effort to assign a lower priority to higher education generally and to student aid in particular, and we should have done so on the justification that we are, after all, stressing aid to low-income students.

I am distressed that we should be put in the posture of appearing to give our approval to that kind of effort.

Do you see what I am getting at?

Mrs. **Rivlin**. Yes; I surely don't speak for the administration. Nor do I think that aiding low-income students should be the only concern of the Federal Government in higher education.

I think the quality of higher education, generally, has been and should be a concern of the Federal Government.

But there are priority problems, and I think one should face up to the fact that institutional aid, especially formula institutional aid, is of its very nature an across-the-board thing. If one's priority is for lower income students, then accepting institutional aid is not responsive, I think, to that priority.

Mr. **Brademas**. I speak for myself. If I were put in the posture of helping low-income students or helping the institutions, I would help the low-income students. What I am trying to resist is being put in that box.

When Commissioner Marland comes up and says our hands are tied and they didn't give us enough money, I mean instinct will tell us that is tough and you go back to the Budget Bureau. We didn't put you in that box; you were put in there by your superiors and not by us.

For us to countenance that skewing of the Federal student aid program along the lines you are suggesting is something I think is not proper.

Mrs. Rivlin. I am not trying to put you in a box, but as I read the bill, of which you are a cosponsor, it does eliminate in several places the words which now tend to concentrate the funds on the neediest students. It seems to me this is undesirable, within the context of student aid.

Mrs. Green. Would you yield?

Mr. Brademas. I yield.

Mrs. Green. Of course, the reason for that is that those of us who cosponsored this legislation thought that any institution which was responsible enough to be an institution of higher education had enough intelligence within that institution to draw up the policy as to how the funds would be divided and if x institution, whether it is Stanford or any other, received x number of dollars for EOG and x number for work-study and x number for NDSL and they had their own institutional grants, State aid, the GI bill, and social security, plus all of the multitudinous other programs, we had confidence that the people in that institution of higher education could put the package together and had as much sense as the people who just happened to geographically reside in Washington, D.C.

Now, the bill doesn't in any way give any direction to an institution and say that you are to ignore disadvantaged students. It just says that we trust you, and if you are able to run an institution of higher education, we assume you have enough intelligence to put the package together. If we give you the flexibility, we believe you can do it better than if we draw guidelines here in Washington for you.

Mrs. Rivlin. I guess I do not share that faith with respect to all institutions, and there are a great many of them.

Stanford has a great professional staff for doing this thing, but there are 2,600 others and 4,000 to 5,000 proprietary institutions with very little experience in assessing student need.

Mrs. Green. I would just respond that as I have read the guidelines issued by the people here in Washington, I have the same lack of confidence in their ability to decide how student aid should be given out as you have in terms of the individual institutions, because I see a woeful lack of understanding and ignorance in issuing guidelines here that they think will apply in all 2,600 institutions for all students.

Costs of education and individual needs differ so much. Catastrophic illness or business failure and so forth, may greatly affect a family situation in a way that OE guidelines cannot anticipate.

Mr. Brademas. Of course, Madam Chairman, I must confess that this has been one of the most useful things developed on the part of Mr. Newman, who has taken much, I think, of the same view as Dr. Rivlin and who is, also, you may be interested, not of the same point of view as was expressed yesterday by Mr. Costello, the deputy director of New York City, who is also interested in full transferability.

As an old categorical aid proponent myself, and as one who strongly believes in the doctrine of original sin and doesn't trust anybody too much, I have a certain sympathy with what you are saying, Dr. Rivlin.

It isn't, Madam Chairman, that I don't fear that the universities don't have the brains. I think they have the brains, but it is their soul

I am worried about, and that is, if I make my point clearly enough, it is their white middle class morality that Dr. Higgins talked about.

Anyway, I think you have raised a telling point.

Let me ask you just one other question. As I understand, with respect to institutional grants, you are saying that we should not put them on an across-the-board basis; that some institutions are needier than others; is that correct?

Mrs. RIVLIN. Yes; and worthier than others.

Mr. BRADEMAS. Now, I find it difficult to disagree with that. But having said that doesn't, of course, resolve the problem of determining, if you had to devise an alternative to across-the-board grants, which solves a lot of problems, after all, for those persons having to administer it, what kind of a basis would you suggest for providing aid to worthy and needy institutions on some institutional grant basis?

Mrs. RIVLIN. Well, several. I think the primary reliance that I would like to see would be on the cost of education allowance going along with student aid, in part, because I think that gives the student a choice about where he wants to go to college and, in effect, puts the votes on which is a worthier institution in the hands of the student.

I don't think that should be the sole vehicle for institutional aid. Project grants for innovative ideas in education also seem to be a good idea, whether administered by a foundation or in some other way.

Mr. BRADEMAS. Now, that is helpful, but I would need more help. Are you suggesting that you would not at all have, beyond cost of education allowances, or companion grants, and some sort of projects grants, any kind of institutional grant that would be used by worthy, needy institutions, to use your adjectives, for general operating expenses?

Mrs. RIVLIN. Well, I think another possible vehicle would be—and I think a good one—the developing institutions program. That could be broadened and enlarged to provide operating support to institutions which fall in the category of institutions that are in need but salvageable.

Mr. BRADEMAS. Just one followup question. Take the Cheit report as a basis. Would you have any suggestion for Federal assistance to those institutions that are in trouble beyond the companion grant, beyond developing institutions grants? Because a lot of those institutions, Cheit says, are in trouble are not in the category of developing institutions, but are in financial trouble.

Let us assume they are worthy, as many of them are, and they are needy by definition. You are not suggesting any other type of approach?

Mrs. RIVLIN. I did suggest in the testimony, although I haven't worked it out in any detail, that one might have an emergency kind of programing that would meet this kind of need.

I am not sure how one would set it up, but it would have to be a determination by someone that this institution was in real immediate trouble and was worthy of support. But I would make it contingent on the institution submitting a sensible plan for getting itself out of trouble within a certain number of years.

Mr. BRADEMAS. Now, I take it from what you said and Dr. Newman said earlier—that is not unlike the thing you were talking about; is that right, Dr. Newman?

Mr. NEWMAN. I agree, and it seems to me you can only view that as one avenue.

Mr. BRADEMAS. I raise this, because, Madam Chairman, the reason some of us thought to go along with an institutional approach was that we are concerned with the trouble institutions are in.

What you are suggesting here, and that is worthy of consideration, as far as I am concerned, is that you may say we won't give every single one, but we will try to establish a basis for determining who is in profound trouble.

Now, that poses real legislative problems and political problems for us in trying to figure out (a) what is a legitimate basis for making those judgments and (b) devising a fair and equitable process for making the judgments.

Mrs. RIVLIN. And it would be very difficult to set the criteria. I would give weight, I think, to trouble which was caused by the Federal Government itself by cutbacks in Federal programs. That would seem to me to be a clear Federal responsibility, to help an institution adjust to that kind of financial distress. Probably a greater responsibility is to help them adjust to important planning of their own.

But where there have been shifts in demand for what the institution does, or particular cost problems or particular revenue problems, I would think one could develop a set of criteria that would identify those institutions and give them some aid pending their getting out of the difficulty.

Mr. BRADEMAS. Of course, if you are going to do that, I would say that would be a very interesting idea. That would mean to me that you are strongly then not for the innovation purpose for the establishment of some high level, totally respectable nonpolitical foundation to make judgments of that kind so that it would be totally beyond suspicion.

This has been extremely interesting testimony, Dr. Rivlin.

Thank you very much.

Mrs. GREEN. May I suggest that in talking to a lot of higher education people about putting in a needs factor for institutional aid that no one was able to come up with any suggestion, and that the difficulties of drawing up need for institutions would be far greater and have far more inequities than drawing up needs for individual students.

Thank you.

The committee is adjourned until tomorrow morning at 10 o'clock, and we have about seven witnesses for tomorrow morning and afternoon sessions.

(Whereupon, at 5:10 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Friday, April 23, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

FRIDAY, APRIL 23, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The special subcommittee met at 10:15 a.m., pursuant to call, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Burton, Thompson, Steiger, and Ruth.

Staff members present: Harry Hogan, subcommittee counsel; William Gaul, associate counsel and Robert Andringa, minority legislative associate.

Mrs. Green. The subcommittee will come to order for further consideration of higher education legislation under the jurisdiction of this committee.

Today we are pleased to have with us representatives from the Virgin Islands and Guam. I want to express my appreciation to Congressman Phil Burton, who is the chairman of the Subcommittee on Interior and Insular Affairs Committee in the House that has jurisdiction over the territories, for his recommendation that we include in this legislation on higher education the provision to make the College of the Virgin Islands and the University of Guam land-grant institutions. I think this kind of working arrangement between the two committees is something that is going to be very helpful.

We have had jurisdictional disputes over a period of years, and it is finally resolved. I want to again express my appreciation to Congressman Burton for his very, very helpful suggestions as we prepared this legislation.

Mr. Burton. Would the chairlady yield?

Mrs. Green. Yes, I would be delighted to.

Mr. Burton. I want to thank my distinguished colleague for her over generous remarks. Any of us who have worked with the gentlelady from Oregon know full well that when she is determined to achieve a result she proceeds with all due diligence and effectiveness.

The fact of the matter is that after discussing this matter with Mrs. Green, to whatever extent the Subcommittee on Interior and Insular affairs may have jurisdiction, I think it makes more sense that this committee, which really after all, does spend most of its time on this subject matter, be preferred, if you will, for dealing with this legislation.

I am delighted that the legislation introduced by Mrs. Green contains provisions for land-grant colleges for the Virgin Islands and Guam, and hopefully this session will put this issue behind us.

Mrs. GREEN. Thank you.

Now if I might ask the people from both the Virgin Islands and Guam to come to the witness table. We have with us the Honorable Melvin Evans, Governor of the Virgin Islands, Dr. Lawrence Wanlass, president of the College of the Virgin Islands and the Honorable A. B. Won Pat, Representative from Guam.

I believe that Representative de Lugo of the Virgin Islands is here, too. So if I could ask all of you to come up together, we will proceed.

STATEMENTS OF HON. MELVIN EVANS, GOVERNOR OF THE VIRGIN ISLANDS; DR. LAWRENCE WANLASS, PRESIDENT, COLLEGE OF THE VIRGIN ISLANDS; HON. FLORENCIO RAMIREZ, SPEAKER, GUAM LEGISLATURE; HON. RON DE LUGO, VIRGIN ISLANDS REPRESENTATIVE; AND HON. A. B. WON PAT, REPRESENTATIVE FROM GUAM

Mr. WON PAT. May I have the honor of introducing the Honorable Speaker of the Guam Legislature, Florencio Ramirez, who is here in the Capitol. He testified before the committee on territories yesterday on the nonvoting delegate bill, and I thought it would be a good idea to have him along with me on this occasion.

Mrs. GREEN. We are delighted to have you with us. It is good that you were here this week.

Now if I might turn to Governor Evans at this time, please, to present his statement.

Governor EVANS. Thank you, Madam Chairman, and members of the subcommittee. It is an honor and pleasure to be here, and this is the first time I have had the distinction to appear before this committee, and I do so to make the College of the Virgin Islands a land-grant college.

The College of the Virgin Islands is a young institution. It was first organized in the year 1962 after many years of preliminary thought and planning. It opened its doors to its first class in 1963. From the outset it was envisioned as an institution to meet the needs of the community. Starting as a 2-year college, it offered both university parallel courses and terminal programs in such areas as construction work, mechanical arts, hotel management, commercial accounting, and police science, and administration.

Enrollment at the college has grown from 45 to over 400 full-time students and to 1,061 for the adult programs. The response of the community, starved for higher education, has been overwhelming. In order to properly service the academic and community needs of our population, which now approximates 100,000 people, and because of the geographic location of our islands, the College of the Virgin Islands needs to be as self-assuring and self-sustaining as possible. There are striking parallels, Madame Chairman, between the present challenge facing the College of the Virgin Islands, and the task initially confronted by many of our great mainland State universities whose proud origins stemmed from a rural background. The Land Grants

Act enabled those institutions to go to the people, and to provide the kinds of training and expertise which were needed to develop not only the natural capabilities of those persons, but also the natural resources of the lands about them. It is most propitious, Madame Chairman, that the benefits of land-grant status should reach their maximum advantage in just these circumstances which are now largely applicable to the Virgin Islands.

Virtually all of our food must be shipped into the islands from the outside. Yet on the Island of St. Croix there are 6,500 acres available for cropland—4,000 of which came into being with the phasing out of sugarcane production in 1962. Another 20,000 acres, also on the Island of St. Croix, are usable for range and pastureland. There could be no greater impetus for the development of our agricultural capability than that which could be provided by the benefits of this legislation.

Madame Chairman, the great natural beauty of the Virgin Islands is known and appreciated throughout the world. In a real sense all Virgin Islanders are environmentalists by virtue of their firm commitment to protect the land and ocean resources which are their home.

The College of the Virgin Islands has assumed the leadership role in this regard which warrants your approval and encouragement.

Over the years we have seen our ambitious and talented young high school graduates leave the islands for further education—most of them never to return.

In 1950 when I was doing postgraduate work in Washington, D.C., I was one of about 35 Virgin Islanders here pursuing various professional studies.

To my knowledge I was the only one to return to the Virgin Islands directly upon completion of my work. Young people in the Virgin Islands, looking toward careers in programs usually associated with land-grant colleges, have had to apply for admission to institutions off island.

This has not been a satisfactory arrangement because both of the additional expense involved and often the stringent restrictions in effect in enrollment of out-of-State students. And even if admitted, out-of-State tuition is often beyond the means of many of the young people from the Virgin Islands.

The people of the Virgin Islands need an institution of higher learning which can prevent a drain of local talent. We need a college which can serve as a significant community force in fostering, encouraging, and initiating programs relevant to the particular problems and surroundings of the Virgin Islands.

We need a college which can keep pace financially with a rapidly expanding and increasingly knowledge hungry population. We need and we want, and we shall work tirelessly for an educational institution which will grow and academically prosper in the distinguished tradition of 69 other land-grant colleges and universities throughout the United States and Puerto Rico.

It is a challenge which the people of the Virgin Islands eagerly anticipate, and one which shall be tremendously aided by the legislation now before this committee.

During 1967 legislation was introduced and passed by the Congress to provide the citizens of the District of Columbia with the services and benefits derived from a land-grant college.

At that time it was stated that the District of Columbia was the last remaining area within the Nation, without the services of a land-grant college, and that the legislation would provide educational opportunities for citizens of the District of Columbia to study for careers in community services and to receive the benefits from cooperative extension programs.

Apart from the fact that the District of Columbia was not the last remaining area in the Nation without the services of a land-grant college, the sentiments expressed apply equally to the Virgin Islands and its college.

Over the years the Cooperative Extension Service has been increasing its service in home living, community improvement, and youth development in urban areas. The people of the Virgin Islands have not had the opportunity to benefit fully from these programs.

The single and somewhat extraordinary fact is that the people of the Virgin Islands—along with those of Guam—are the only remaining substantial group of U.S. citizens without benefit of a land-grant college. All of the foregoing reasons, together with the arguments of fundamental equity bolster the request for your favorable consideration of this legislation.

I have been associated with the college of the Virgin Islands since its inception in 1962. It was my honor to serve as chairman of its board of trustees until June 1969, when I was appointed as Governor of the Virgin Islands. I am very much aware of the history and programs of the college, and very proud of its outstanding progress and development. If, through the favorable recommendations of this committee and the generosity of the Congress, land-grant status could be granted to the college of the Virgin Islands, I would be deeply grateful to have this historic event occur during my incumbency as the first elected Governor of the Virgin Islands.

In anticipation of your favorable consideration of this legislation, I thank you personally, and on behalf of the people of the Virgin Islands.

To these remarks I would like to add one or two other points with your permission. One is that I know in reviewing the discussion both this time and in the previous bill, the matter of population has assumed great importance. I would like to say, as I have said before, that first of all there is every reason for us to feel very strongly that the population figures assigned to the Virgin Islands are not accurate, and that degree of inaccuracy is substantial.

You know I remarked here something in the neighborhood of a hundred thousand people.

The second point is that not only is the figure not accurate, but the rate of growth is an important factor because 10 years ago, 11 years ago, in 1960 our poulation was then 33,000 and we have reason to believe it was a much more accurate figure than the present one is.

So under any such circumstances we have doubled our population, and in actual fact we believe we have tripled it in one decade.

There is no indication that this rate of growth is going to change dramatically in the very near future.

The third point I would like to make on the population issue is the fact that when we are dealing with small numbers of people, vis-a-vis the United States or other large areas, unless one puts a minimum or a floor under grants, the amounts which are granted are often too small to be useful, and I am sure that it is not the intention of this committee to go through the motions of granting land-grant status to the college of the Virgin Islands without any real benefits being able to be accrued to the college from such a grant.

We have had experience with certain agencies in the Federal Government when a strict population formula was applied to find that the amounts of money which we had were too small to be really useful, and I would respectfully submit that these factors be taken into consideration in determining the amount of the endowment which this college would receive.

I wish to thank you very much and request permission that my remarks be included in the record.

Mrs. GREEN. Thank you very much, Governor Evans.

Representative DeLugo, do you want to add something?

Mr. DELUGO. Madam Chairman, I want to submit my statement. I think we are fortunate to have the Governor and the president of the college here. I think they can state the case more eloquently.

I would, however, like to take this opportunity to thank you and Congressman Burton. I had the pleasure of accompanying him to the Virgin Islands on his trip recently and to discuss with him this land-grant college legislation which you have sponsored.

We appreciate your carrying the banner for us.

Mrs. GREEN. Thank you very much, and your statement will be made a part of the record.

(The document referred to follows:)

STATEMENT OF RON DELUGO, VIRGIN ISLANDS REPRESENTATIVE TO WASHINGTON, D.C.

Madame Chairman and members of this distinguished subcommittee, My name is Ron deLugo. I am the elected Representative of the people of the Virgin Islands to Washington, D.C.

I am appearing before the distinguished members of this Subcommittee to endorse fully the provisions of H.R. 7248, a bill to amend the Higher Education Act of 1965, which extends to the College of the Virgin Islands and the University of Guam the benefits of the Land Grant College Acts.

As you are aware, the land grant institutions are particularly adept in providing instruction in agriculture, the mechanical arts, the extension service, community services, environmental sciences, home economics, and dietics. Land grant institutions, which exist in every state, the District of Columbia, and the Commonwealth of Puerto Rico have graduated thousands of specialists, providing vital skills to meet the needs of their respective communities.

Unfortunately, young people of the Virgin Islands aspiring to careers in areas in which land grant colleges excel do not have an institution offering comparable services within their Islands. Consequently, individuals seeking skills in these areas must go to the continental United States or to Puerto Rico to acquire these important skills. However, in many instances, students find that high non-resident tuition fees and limited enrollment policies for out-of-state students frustrate their objectives.

I support H.R. 7248 because I believe that this bill will correct this inequitable situation by providing to the people of the Virgin Islands the same opportunities to develop these vital skills as are extended to the rest of the American public.

H.R. 7248 provides, among other things, that the College of the Virgin Islands participate in the cooperative extension programs which are connected with land grant universities. The Extension Service is a cooperative organization which serves the university, the students, and the citizens.

I support the Community Extension Service provision of H.R. 7248 because the vital services offered by that organization in home living, community improvement, and youth development are of particular significance to the Virgin Islands which are developing socially and economically at a very rapid pace.

Presently, the economy of the Virgin Islands relies substantially on tourism. The people of the Virgin Islands are almost unanimous in the opinion that our economy needs diversification.

The enactment of H.R. 7248 would certainly give us some of the vital tools of develop this diversity. For example, the development of a viable produce industry for local consumption would be one of the areas that could be explored. Improvement of our small beef industry and further growth of our dairy industry would seem assured because of the new agricultural skills and techniques that would be developed by Virgin Islanders. In the area of environmental science, the College of the Virgin Islands and its affiliate—the Caribbean Research Institute—could develop and emphasize new techniques on environmental management, resource conservation, and marine ecology. In addition, the availability at the collegiate level of mechanical arts training, which is of vital importance in creating a sound economic base, would be an invaluable contribution to our Islands.

Madame Chairman, I respectfully urge the members of this Subcommittee to support fully the provisions of H.R. 7248, which grant land grant status to the College of the Virgin Islands.

Mrs. GREEN. Now, if I may turn to Dr. Wanlass, who is no stranger to this committee, we will hear him, and we are delighted to have you here, Dr. Wanlass.

Dr. WANLASS. Madam Chairman, and members of this committee, I am especially pleased to have this opportunity to appear before you. In presenting my testimony, I would like to limit myself to a brief statement urging favorable consideration of H.R. 7248, with special reference to title XIII. After this statement I would welcome the opportunity to respond to questions you have.

My interest in this proposed legislation covers a period of more than 4 years and my work with the College of the Virgin Islands covers a period of 9 years (from the college's inception). I am deeply concerned with the passage of this legislation, and I believe I am at least reasonably knowledgeable concerning it.

I don't think I speak as an expert, but I do speak as a concerned, earnest person.

Mrs. GREEN. If you are not an expert on it, I don't know who we have that is.

Dr. WANLASS. My statement is a rather long one, and I would like to go through it. If it is taking longer than it should, I would like to summarize it.

Basic Justification:

In presenting a basic justification for the passage of H.R. 7248, a wide range of arguments seems to be worthy of consideration. However, I am confining myself here to two related positions which I would like to briefly present.

These are: One, that the present status is unequal and penalizes the Virgin Islands at a time when it needs Congress's full understanding and support, and two, support of higher education through this legislation seems to me to be an especially useful channel for Congress to follow in helping the Virgin Islands to help itself.

I would like to add parenthetically that you have not had to generate the proposal under discussion. Initiative has come from the Virgin Islands, and I believe this speaks well for us.

In discussing the question of inequality, it can be pointed out that the Virgin Islands and Guam are the only areas under the American flag which have not been allowed to participate in the land grant college programs.

This cannot be justified on the basis of historical precedent on the grounds that they are only territories because there are many instances of territorial participation in the land grant programs. An example is provided by Alaska, which received 100,000 acres by act of Congress for land grant purposes in 1922.

I could cite 15 or 16 other cases, but I will not do so.

Going beyond this, if it is argued that the Congress has an increasing sense of the need to help students from lower income families and minority groups, these categories of students constitute the majority of those who would be helped by the passage of this legislation.

To deprive them of as complete an educational opportunity as is available to their contemporaries on the mainland is inherently unequal and unfair.

Passage of this legislation, on the other hand, would have such direct and positive results as promoting the growth of a middle class and making certain that many more of the Virgin Island's young people would not have to seek a higher education on the mainland—never to return in a large majority of cases to the Virgin Islands but to swell instead the urban populations of New York and other metropolitan areas.

I might stop here a moment and say that I think it is important to emphasize that by supporting the Virgin Islands in this kind of growth, we are getting at other problems. We are saying to people in the Virgin Islands, "Look to the Virgin Islands for your future, not to the large metropolitan areas already inundated by large numbers of people who cannot be further absorbed by them."

This last statement leads me to the consideration of the second point to be made—that this legislation is one of the most useful ways which the Congress might adopt to be supportive of the Virgin Islands in helping it to help itself as it attempts to come to a greater maturity.

Because of your membership on this committee, and knowing the record of the chairman and many of the members, I do not have to argue the importance of higher education to a rapidly developing society such as the Virgin Islands. However, I do think it is useful to stress an interesting historical parallel between the Virgin Islands and many of the western States with regard to the role of the land-grant colleges.

It is my contention that the Virgin Islands is now (in the 1970's) at the same point of development of its people and resources as many of the Western States were 70 or 80 years ago. It is to be remembered that there was an earlier time in the Western part of the United States during which a few people traveled to the eastern seaboard to receive an education, but the great majority of people were severely limited in the educational opportunities available to them. With the impetus of the land-grant college movement, a change of great importance took place. Through the role of popular education (and I would like to underline the term popular education in the sense that the land-grant movement and the Morrill Act, the first act, were aimed at what were then called the industrial classes, not exclusively the agricultural population of the United States) it became possible for the Western States to have the trained people, the ideas, and programs on which they based their future growth.

I would go on from this to argue that the people in the Virgin Islands and on the whole are very comfortable in their territorial relationship. They have not been involved in confrontation, they have not been involved in demands and other forms of insistent expression, but let us not as a Congress, as a people, save all of our responsiveness for people who do insist and demand.

I think we are coming to you with a request that as citizens of the United States and as a territory under congressional jurisdiction, that we be given the same opportunities for development that every other citizen has.

Concerning the next section of my testimony, I would like to ask to have it entered into the record. Spelled out here are the specific things to be accomplished by this legislation.

Mrs. GREEN. Without objection, this entire statement will be made a part of the record.

(The document referred to follows:)

STATEMENT OF LAWRENCE C. WANLASS, PRESIDENT OF THE COLLEGE OF THE VIRGIN ISLANDS

Madam Chairman and Members of this Committee, I am especially pleased to have this opportunity to appear before you. In presenting my testimony, I would like to limit myself to a brief statement urging favorable consideration of H.R. 7248, with special reference to Title XIII. After this statement, I would welcome the opportunity to respond to questions you have. My interest in this proposed legislation covers a period of more than four years and my work with the College of the Virgin Islands covers a period of nine years (from the College's inception). I am deeply concerned with the passage of this legislation, and I believe I am at least reasonably knowledgeable concerning it.

BASIC JUSTIFICATION

In presenting a basic justification for the passage of H.R. 7248, a wide range of arguments seems to me to be worthy of consideration. However, I am confining myself here to two related positions which I would like to briefly present. These are (1) that the present status is unequal and penalizes the Virgin Islands at a time when it needs Congress' full understanding and support, and (2) support of higher education through this legislation seems to me to be an especially useful channel for Congress to follow in helping the Virgin Islands to help itself.

In discussing the question of inequality, it can be pointed out that the Virgin Islands and Guam are the only areas under the American flag which have not been allowed to participate in the land grant college programs. This cannot be justified on the basis of historical precedent on the grounds that they are only territories because there are many instances of territorial participation in the land grant programs. An example is provided by Alaska, which received 100,000 acres by act of Congress for land grant purposes in 1922.

The young people in these territories have the same needs for higher education and the same aspirations for careers in agriculture and extension services, community services, environmental sciences, mechanical arts, home economics, and other disciplines of concern to land grant colleges on the mainland. Living in outlying areas, such as the Virgin Islands and Guam, it is difficult for students to attend schools on the mainland in lieu of their own land grant colleges because they are faced in so doing with the costs of travel and an expensive change to winter clothes. They are also faced with increasingly heavy out-of-state tuition fees, and they are often screened out by enrollment policies which increasingly discriminate against out-of-state students.

Going beyond this, if it is argued that the Congress has an increasing sense of the need to help students from lower income families and minority groups, these categories of students constitute the majority of those who would be helped by the passage of this legislation. To deprive them of as complete an educational opportunity as is available to their contemporaries on the mainland is inherently unequal and unfair. Passage of this legislation, on the other hand, would have such direct and positive results as promoting the growth of a middle class and making certain that many more of the Virgin Islands' bright young people would not have to seek a higher education on the mainland—never to return in a large majority of cases to the Virgin Islands but to swell instead the urban populations of New York and other metropolitan areas.

This last statement leads to a consideration of the second point to be made—that this legislation is one of the most useful ways which the Congress might adopt to be supportive of the Virgin Islands in helping it to help itself as it attempts to come to a greater maturity.

Because of your membership on this committee, and knowing the record of the Chairman and of many of the Members, I do not have to argue the importance of higher education to a rapidly developing society such as the Virgin Islands. However, I do think it is useful to stress an interesting historical parallel between the Virgin Islands and many of the western states with regard to the role of the land grant colleges.

It is my contention that the Virgin Islands is now (in the 1970's) at the same point of development of its people and resources as many of the western states were 70 or 80 years ago. It is to be remembered that there was an earlier time in the western part of the United States during which a few people traveled to the eastern seaboard to receive an education, but the great majority of people were severely limited in the educational opportunities available to them. With the impetus of the land grant college movement, a change of great importance took place. Through the role of *popular education*, resulting in major part from the land grant movement, western states were able to develop the trained people, ideas, and programs on which their future growth was based.

I believe that the Virgin Islands is in much this same position today, and I would argue that the passage of this legislation can be expected to serve the people of the Virgin Islands in a similar manner with the same vitally important effects.

Going beyond this, I would insist—to the point which you will allow me—that the Congress of the United States has an extra responsibility and obligation concerning territories which is commensurate with its special authority over them. The people of the Virgin Islands are very good citizens of the United States. They are comfortable in their territorial relationship. They think of their relationship to the Congress more in terms of loyalty than of riots. This may be very old-fashioned at the moment, but let me urge that we not save all of our responsiveness for those who shout and demand and confront. The people of the Virgin Islands look to Congress in a double capacity—as citizens and as a territory under Congressional direction. For this reason, I ask that you give this kind of constructive legislation your full support. I believe, as I said earlier, that this is one of the best ways available to you to help us to help ourselves as we seek to develop a greater maturity.

WHAT THIS LEGISLATION WOULD ACCOMPLISH

Under the provisions of this legislation the College of the Virgin Islands would:

(1) Be considered a land grant college established for the benefit of agriculture and mechanic arts in accordance with the Act of July 8, 1862, the first Morrill Act.

(2) Receive an appropriation of $3,000,000 as an endowment, in lieu of public land, to be used for the maintenance of the College in accordance with the provisions of the first Morrill Act.

(3) Qualify under the Morrill Act of 1890 for annual grants to be used for instruction in agriculture, mechanic arts, and related subjects.

(4) Participate under the Bankhead-Jones Act of 1935 with the 50 States and Puerto Rico in further grants made available for the support of land grant colleges. The College would receive an equal share of an annual national grant of $8.100,000 or $150,000, for teaching purposes.

(5) Participate in the grants for research and service work in the distribution and marketing of agricultural commodities authorized by the Agricultural Marketing Act of 1946.

(6) Participate under the Smith-Lever Act in the Federal Extension Service program administered by the Department of Agriculture for coop-

erative agricultural extension work. An appropriation of $100,000 is authorized for the territory annually beginning in fiscal year 1971.

(7) Qualify for inclusion under the provisions of the Hatch Act of August 11, 1955.

The funds which would be made available to the College of the Virgin Islands could be used for instruction, equipment and supplies in agriculture, mechanic arts, English, mathematics, natural and physical sciences, economic sciences, and the preparation of teachers. The funds could not be used for the purchase or preservation of buildings or the purchase of land. The endowment is to be held in trust, with the College having the benefit of the annual interest derived through investment as provided by law.

A DEFENSE OF THE $3,000,000 FUNDING LEVEL OF THE ENDOWMENT IN LIEU OF PUBLIC LANDS AS AGAINST A LOWER LEVEL OF FUNDING

As indicated above, this legislation provides an authorization for a $3,000,000 endowment in lieu of public land to be used to maintain the College in accordance with the intent of the first Morrill Act. This sum of $3,000,000 was included in the earliest form which this legislation took. In a later version of this legislation, the sum of $3,000,000 was reduced to $714,000 for the Virgin Islands, based on an argument which I do not believe to be sound.

The argument for the reduction of the sum grew out of a statement made by an officer of the Department of Health, Education and Welfare, which I quote below:

"We believe that the proposed authorization of a $3 million lump-sum payment each to Guam and to the Virgin Islands should be reconsidered in the light of prior lump-sum authorizations of payments to other jurisdictions for a like purpose. When Hawaii became a State, it was granted a lump-sum of $6 million in lieu of land or scrip grants under the first Morrill Act. In Public Law 90–354, following the precedent set for Hawaii, the amount authorized to be appropriated to the District of Columbia in lieu of extending to the District the provisions of the first Morrill Act was $7,241,706, which bore to the $6 million authorized for Hawaii the same ratio as the population of the District bore to the population of Hawaii. This method of computation was evidently not used in fixing upon the amount of $3 million for Guam and the Virgin Islands, respectively, in the present bill, and we are not aware of the basis upon which the sum of $3 million was determined. We would, therefore, suggest that the proposed lump-sum amount for the two territories be reconsidered in that light."

My reasons for questioning this line of reasoning are several:

(1) Basing the case of the Virgin Islands on a strictly population formula used to help the District of Columbia hurts the Virgin Islands and does not take sufficiently into account the actual history of how the $6,000,000 amount for Hawaii and the $7,241,000 for the District of Columbia were arrived at. The stories are both too long to relate here, but having studied them carefully, I can say that neither can claim the sanctity of "science."

(2) In the previous 50 cases, there were a number of other formulas used.

(3) If the $6,000,000 Hawaii figure were accepted, for the sake of argument, and if the population factor were singled out as controlling (which was done in the case of the District of Columbia because this resulted in giving the District most of the $10,000,000 it sought), we would still question whether the 1960 purchasing power of $6,000,000 has been equated with the *current* purchasing power of each of these dollars and we are convinced that the population of the Virgin Islands is such a disputed quantity as to be an unreliable part of an equation.

Taking a more positive position, I would like to present reasons for supporting the original $3,000,000 endowment. This figure is based on:

(1) The recognition of a need to rest certain federal programs on a minimum floor so that enough support is provided to make the success of a program probable. Your Committee has been a leader in this movement.

(2) The recognition that the strict application of a population-based formula would result in so little support for the Virgin Isands as not to provide a workable endowment, which is the clear intent and purpose of the Morrill Acts.

(3) Discussions with a number of members of the Congress that a sum of three million represented a supportable level of endowment—based again

on the floor or minimum principle. The sum of $3,000,000 when averaged out over several years at a rate of return of 5% would provide for an annual income of $150,000 per year—a sum sufficient to appreciably advance the effectiveness of the College.

AN INSTITUTIONAL SUMMARY OF THE COLLEGE OF THE VIRGIN ISLANDS

To conclude my testimony, I would like to present to you a one-page Institutional Summary which indicates the present level of development of the College of the Virgin Islands together with some selected figures which provide a profile of the College's growth.

INSTITUTIONAL SUMMARY

Public liberal arts college. Baccalaureate and associate in arts degrees. Continuing education program for part-time students. Coed. Main campus, St. Thomas; St. Croix Center for continuing education programs. Total enrollment: 1446; full-time enrollment (St. Thomas), fall 1970:416; 1030 part-time students in continuing education programs. Of continuing education students 615 reside in St. Thomas and 415 reside in St. Croix.

The College, now in its eighth year, offers 4-year baccalaureate programs in liberal arts (9 degree programs) and teacher education; 2-year associate in arts degrees in occupational programs (7); transfer programs in specialized fields; and a continuing education program.

The Caribbean Research Institute, a division of the College, conducts a sponsored research program with funds provided by the federal and Virgin Islands governments and private sources. As part of its environmental research program, the Institute operates the Virgin Island Ecological Research Station at Lameshur Bay, St. John; and an Environmental Laboratory complex on St. Croix.

College faculty and professional staff number 108. Of this number, 59 are teaching faculty members and 49 are administrative faculty or professional staff. Average teaching load is 12 credit hours.

Of the full-time students, approximately 74% are from the Virgin Islands, 12% from the U.S. mainland, and 14% from other Caribbean islands and abroad.

The St. Thomas campus occupies 175 acres bordering Brewer's Bay. Extensive campus development includes a new library, student residence hall complex and faculty housing units already completed nursing education building completed; and projected cultural center and additional academic and housing facilities. Other facilities include air-conditioned classrooms and offices, student center, residence halls and faculty housing. Recreational facilities include Brewer's Bay beach and a nine-hole golf course on campus. The College's St. Croix Center occupies a 125-acre site. It is being expanded to provide for more comprehensive programs which will better meet the needs of St. Croix and the Virgin Islands as a whole. The Virgin Islands Extension Service of the College of the Virgin Islands is headquartered there.

The library, occupied in January 1969, presently houses 31,450 volumes and 1000 micro-film units. With an eventual 100,000 volume capacity, it contains a language laboratory, micro-film and seminar rooms, and a special collection on the Virgin Islands and the Caribbean.

As a public institution, the College receives its principal operating funds from the Government of the Virgin Islands, with $2,580,000 appropriated for this purpose for 1970–1971. In addition to substantial grants from the federal government for its academic, research and community programs, the College has received over $3,000,000 from individuals, businesses and foundations to meet its special operating and capital needs.

SELECTED SUMMARY FIGURES

Student enrollment growth

1963–64:	
(1) FTE[1]	127
(2) Full-time	45
(3) Continuing education	283
(4) Total number of students	328

SELECTED SUMMARY FIGURES—continued

Student enrollment growth—Continued

1964–65:	
(1) FTE	228
(2) Full time	82
(3) Continuing education	500
(4) Total number of students	582
1965–66:	
(1) FTE	310
(2) Full-time	128
(3) Continuing education	600
(4) Total number of students	728
1966–67:	
(1) FTE	461
(2) Full-time	229
(3) Continuing education	700
(4) Total number of students	929
1967–68:	
(1) FTE	609
(2) Full-time	275
(3) Continuing education	1061
(4) Total number of students	1336
1968–69:	
(1) FTE	643
(2) Full-time	332
(3) Continuing education	800
(4) Total number of students	1132
1969–70:	
(1) FTE	703
(2) Full-time	420
(3) Continuing education	1005
(4) Total number of students	1425
1970–71:	
(1) FTE	760
(2) Full-time	416
(3) Continuing education	1030
(4) Total number of students	1446
1971–72:	
(1) FTE	840
(2) Full-time	469
(3) Continuing education	1137
(4) Total number of students	1606

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[1] FTE is an abbreviation for the term full-time equivalency enrollment. This is the statement of enrollment figures most commonly used by colleges in calculating their enrollments. The figure is based on totaling student credits and dividing by the number of credits carried by a full-time student to give an equivalency total based on the number of students a college would have were each student a full-time student.

Growth of the faculty and professional staff:	
1963–64	12
1964–65	30
1965–66	40
1966–67	51
1967–68	58
1968–69	75
1969–70	87
1970–71	108
1971–72 (projection)	112
Virgin Islands Government appropriation:	
1963–64	$365,000
1964–65	670,000
1965–66	849,000
1966–67	1,054,000
1967–68	1,300,000
1968–69	1,500,000
1969–70	1,900,000
1970–71	2,580,000
1971–72 (projection)	2,800,000
Gifts received by the end of:	
1964–65	$380,344
1965–66	705,612
1966–67	1,349,372
1967–68	2,750,377
1968–69	3,468,869
1969–70	3,600,000
Level of research activity:	
1966–67	$177,000
1967–68	152,000
1968–69	276,000
1969–70	476,000
1970–71	660,000

Mr. WANLASS. I would like to go on for a moment to talk about a defense of a $3 million level of funding compared to a funding level of $714,000. As I indicated above, this legislation provides an authorization for a $3 million endowment in lieu of public land to be used to maintain the college in accordance with the intent of the first Morrill Act.

This sum of $3 million was included in the earlier form which this legislation took. In a later version the sum was reduced to $714,000 based on an argument which I do not believe to be sound. The argument for reduction of the sum grew out of a statement made by an officer of the Department of HEW.

Again, with your permission, I won't read this, but the substance of the statement is that Hawaii was brought into a full participation in the land-grant programs and was given $6 million in lieu of public land or scrip. The District of Columbia, when it was included recently, was given $7,241,000.

This latter figure was based on a strict use of a population formula that I question.

My reasons for questioning this formula are several. One, basing the case of the Virgin Islands on a strictly population formula such as that used to help the District of Columbia hurts the Virgin Islands, and does not take sufficiently into account the actual history of how the $6 million amount for Hawaii and the $7,241,000 amount for the District of Columbia were arrived at. The stories are both too long to relate here, but having studied them carefully I believe neither can claim the sanctity of "science."

Secondly, there were approximately 50 previous cases involving the several States and a number of different formulas were used for those cases, many of which would be more favorable to the Virgin Islands.

Thirdly, if the $6 million Hawaii figure were accepted and the population factor were singled out as controlling, as was done in the case of the District of Columbia, we would still question whether the 1960 purchasing power of $6 million has been equated with the current purchasing power of each of these dollars, and we are convinced that the population of the Virgin Islands is such a disputed quantity as to be an unreliable part of an equation.

Going on and taking a more positive position, I would like to present reasons for supporting the original $3 million endowment. This figure is based on, one, the recognition of a need to rest certain Federal programs on a minimum or floor so that enough support is provided to make the success of a program probable.

I must add that your committee has been a leader in this movement.

Two, the recognition that the strict application of a population-based formula would result in so little support for the Virgin Islands as not to provide a workable endowment which is the clear intent and purpose of the Morrill Act.

Third, discussions with a number of Members of the Congress that a sum of $3 million represented a supportable level of endowment, based again on the floor or minimum principle. The sum of $3 million, when averaged out over several years with a rate of return of 5 percent, would provide for an annual income of $150,000 per year, a sum sufficient to appreciably advance the effectiveness of the college.

Going on, and I will ask that this be entered into the record, I would like to make reference to the concluding part of my written testimony which presents a profile of the growth of the college of the Virgin Islands. I think it is notable that the college has been making steady progress, that we are getting our roots into the ground, that we are beginning to serve the needs of the Virgin Islands, and that our future is one of building on previous hard work. We ask that you view this progress in terms of a gradual growth which nonetheless needs now the impetus of endorsement and support through this legislation.

Mrs. GREEN. Thank you very much, Dr. Wanlass.

Now we will turn to the Honorable Won Pat, the Representative from Guam, and we will reserve our questions, unless other members object, until the end of his presentation.

Mr. WON PAT. Thank you Madam Chairman, and members of the Committee. My name is Antonio B. Won Pat, Guam's representative in Washington.

I am indeed grateful for this opportunity to appear before you in behalf of H.R. 7248, title XIII of which would bring the University of Guam into the Nation's highly successful land grant system of assisting institutions of higher learning. By way of background information, I would like to add the following to my written statement. The Territory of Guam is an island located in the vast expanse of the western Pacific referred to as "Micronesia."

Geographically and economically, Guam is the largest of more than 2,000 Micronesian islands. Guam has a land area of 225 square miles, little of which is under cultivation. The surrounding waters are rich in fish and other forms of marine life.

Despite its natural resources, Guam's food production industry is inadequate to feed its population. Local producers supply only 18 percent of the present local demands for fresh fruits and vegetables and a lesser proportion of meats, poultry, and so forth.

Guam is the farthest outpost of our democracy, being nearly 3,800 miles from Hawaii. That distance precludes a University of Hawaii from becoming an alternative to giving the University of Guam land-grant status.

The tropical climate and the socioeconomic development of Guam, as well as its close proximity to Asia, places the University of Guam in a good position to obtain information for the countries in Southeast Asia.

As the only Americans experiencing enemy occupation in this century, the Guamanians are very patriotic.

We have 66 killed in Vietnam, giving Guam the highest percentage of casualties of any American community of similar size.

This fall, the Reserve training officer course was initiated in the public school system on the island, and conferring land-grant status on the University of Guam will pave the way for establishment of ROTC training at the university level.

Now going back to my prepared statement. In the 109 years that have passed since President Abraham Lincoln signed into law the Morrill Act, thereby putting the Federal Government in the business of supporting the establishment and endowment in every State for a college for the common people, thousands of American college students have benefited from the provisions of this unique law to receive a low-cost, quality education.

Thanks to the funds distributed to the schools under the provisions of the Morrill Act, tuition costs in State colleges have been kept down to the point where many young people have been able to attend college with only the assistance of a part-time job.

In addition, the act changed our whole concept of what a college was supposed to teach, resulting in the academic emphasis being placed on engineering and agriculture courses, rather than the traditional Greek or Latin philosophy studies.

The fundamental soundness of this concept of federally supported State colleges and universities was demonstrated with such thoroughness that subsequent Congresses passed the Hatch Act in 1887 and the Smith-Lever Act in 1914, extending the original act into the great program we see today.

In the course of recent year, Congress has also passed additional laws that provide for increased Federal participation in all levels of education. However, the strong foundations of the original land grant system will stand as a monument to the legislative pioneers who first made higher education available to the less affluent members of our society.

As I mentioned earlier, land grant aid was originally offered to stimulate teaching primarily in the areas of agriculture and the mechanic arts.

And though the scope of the land-grant system has broadened to fit our modern technological society, the need in Guam for additional courses in agriculture and the mechanic arts is as real today as it was for the fledgling American States and territories in 1862.

I can assure you that title XIII of H.R. 7248 will help us move forward substantially in that direction.

The University of Guam is a proud example of what American determination and ingenuity can accomplish. Established by an act of the Guam Legislature in 1952, only 2 years after the reins of local government shifted from military to civilian hands and our people became American citizens, the university has striven to provide its students with a quality college education at a cost everybody could afford, in addition to making certain that courses offered would enable the future graduates to fill the needs of our rapidly growing society.

The original emphasis was on teacher training, but growth has been rapid and now we have a multipurpose institution that is dedicated to the development of the arts and sciences, a wide range of technical and vocational services, and programs of general cultural enrichment for adults.

It is the only American institution of higher learning that is in the western Pacific, and has come to be a cultural center for all of Micronesia, including the strategic islands off the Pacific Trust Territory.

Most of the young people of the trust territory cannot afford to go farther afield than Guam in pursuit of advanced education. That is equally true of our own young people. We make high-quality university work available for them or they do not get it.

And those few whose parents somehow are able to send them to the mainland for study often are reluctant to return to our island life, and thus we lose the advantages of their professional training.

To offset that drain of sorely needed manpower and talent, we have been constantly upgrading our university. It now has a full 4-year program, and a graduate school was added recently, starting with courses leading to a degree of master of arts in education.

The university is accredited by the Western Association of Schools and Colleges.

This year our university has an enrollment of 2,989 students of whom 283 are graduate students. Two hundred and ninety-six of our students are from the trust territory and several hundred attend extension classes at Andersen Air Force Base and at Navy installations.

If the University of Guam is to continue in its efforts to serve the increasing needs of our community as well as those of the surrounding areas, additional assistance, such as that offered by participation in the Morrill Act will be needed.

There is a solid record of land-grant help to the territories. The University of Hawaii, now one of the Nation's finest, was brought into the system before the territory achieved statehood.

In addition, there is a flourishing program of land-grant assistance to the University of Puerto Rico. Recently we saw the Federal City College, here in Washington, D.C., become eligible for land-grant assistance.

When our forefathers passed the original Morrill Act, it was done with the hope of supplying this young Nation with the intellectual backbone needed to successfully challenge the vast wilderness that lay before it. The territory of Guam is now in a similar position of needing scores of highly trained young people in the coming years, to meet the challenge that a new society and mushrooming economy provides.

The territory of Guam is at the crossroads of its future; what Guamanians do today will affect not only the lives of future generations, but perhaps the destiny of other peoples in the western Pacific.

The University of Guam stands ready to meet the challenge tomorrow offers. With your assistance, it will be able to do so.

Accordingly, I urge favorable action on this legislation.

Thank you.

Mrs. Green. Thank you very much, Representative Won Pat. Speaker Ramirez, would you have anything to add to that?

Mr. Ramirez. No, Madam Chairman, except to associate myself with the remarks of the Representative. I think this states substantially what I would have stated, and I just want to associate myself with everything that he said, and I hope that the committee will find it feasible to recommend the passage of this bill.

Mrs. Green. Thank you very much. May I turn to my colleague, Congressman Burton, first, if he has questions which he would like to direct to any of the Representatives here.

Mr. Burton. Thank you. I think my view on and support of the legislation is well known to all. I commend all of the representatives for their constructive testimony, and I do look forward to working with our chairman to set up the highest feasible level in terms of this initial grant.

Thank you.

Mrs. Green. Congressman Steiger.

Mr. Steiger. Madame Chairman, I wonder about the Virgin Islands. As one who has had the pleasure of vacationing in the Virgin Islands within the last 10 years, I can't think of a nicer place to have a land-grant college.

You are asking for $3 million in the grant. Is that because land is not available, or because that is a better way of helping to establish the foundation?

Mr. Wanlass. In the beginning, each State received 30,000 acres for each Representative and Senator. This would be, I think, minimally 90,000 acres of land. In the Virgin Islands, there is some Federal land, but it is in very short supply indeed and is extremely valuable. Some recently appraised land in this category was valued at $22,000 an acre. Now if you took 90,000 acres times $22,000, you have an astronomical figure which I won't spell out here exactly, but it is much more than $1 billion. And, of course, there is not that much Federal land.

Mr. Steiger. You are not trying to take over St. Johns Island?

Mr. Wanlass. No.

Mrs. Green. Governor, you indicated in your statement that you thought there was the potential for agricultural sciences. I would have to simply ask you whether or not you think that that is a viable course for a college in the Virgin Islands. Is it something that you believe does deserve being pushed?

Governor Evans. Well, I think we would have to define the term so we make sure we are talking of the same thing. If we are talking about the type of wide-scale agriculture that exists in sugarcane, the answer is "No."

Right now the Government of the Virgin Islands is trying to get a system going where each and every home will have a small plot of land to plant fruit trees and certain types of vegetables to help bring down the tremendously high cost. A lot of the extension work and research work has been directed to find out just exactly what types of produce are better, and when we say agriculture, it would also include, of course, dairy and dairy products, which we intend to keep as a main source, but I am speaking now of the smaller types of agriculture, adapted to the small, little used land which is now available in producing something that would be compatible with the relatively dry climate, the relative scarcity in labor, and the fact that we are dealing with a small scale, and this is exactly what we need more research and more experimentation and more development on.

Mr. WANLASS. Could I supplement that? The fact is that the island of St. Croix is an agricultural island in terms of its history. It had earlier a flourishing sugarcane industry. This industry, some 7 years ago, 6 years ago, was phased out as being no longer economical and as tending to provide a laboring class that had no future except the very limited one of cutting sugarcane.

With the sugarcane industry gone, we need to fill a void that has been left by closing down the sugar industry—perhaps tomato culture, or cucumber culture, or citrus culture.

You can't really say to an island, "Tourism is the only thing that matters," when all these acres have historically had an agricultural purpose. And you can't say to people, "Let's import all our food from Jacksonville, Fla.," when in fact the potential is there to do important things to help ourselves in diversifying our economy.

So I would say the college does have a role to play in promoting this kind of growth to replace sugarcane.

Mr. STEIGER. What is the budget of the college now?

Mr. WANLASS. The college has a budget which is referred to in the back of my written testimony. We receive from the Virgin Islands Government approximately $2,500,000 annually. We spend approximately $3,500,000 annually as operating funds. In addition, we spend about a million dollars of other moneys, whether they be for research, other projects, Federal programs.

Mr. STEIGER. So you are speaking about $4,500,000 as the total institutional budget?

Mr. WANLASS. Yes.

Mr. STEIGER. Of that, what percentage now comes from the Federal Government?

Mr. WANLASS. I would say about $600,000 to $800,000. I can't be exact, but $600,000 to $800,000 is the part that would be——

Mr. STEIGER. Is that $600,000 or $800,000 of your present budget?

Mr. WANLASS. Yes. So we are spending this amount, and approximately $600,000 to $800,000 comes from the Federal Government.

Mr. STEIGER. If you are given land grant status and a $3 million grant, how much additional money are you eligible for from the Federal Government?

Mr. Wanlass. This program would give us approximately, beyond the endowment, $500,000 worth of annual support for the program specified on page 4 of my testimony.

Mr. Steiger. Thank you, Madam Chairman.

Mrs. Green. Congressman Thompson?

Mr. Thompson. I want to join the others in congratulating these gentlemen on their statements and their efforts. I have not seen Guam since the 1940's, but I have seen the institution in the Virgin Islands.

I am persuaded that the argument made by Dr. Wanlass with respect to the amount of the endowment is a reasonable one, and that there is good reason for the differences between the approach used for the Federal City College here, and for the University of Alaska, I think it is good to know these other approaches, but I don't think they are particularly relevant to this case.

In other words, I am persuaded that this is a very modest sum, and especially in the light of the costs of educational programs, construction, faculty salaries and so on, and this would seem to me a very modest amount, and I intend to follow the lead of Mr. Burton and Madam Chairman in supporting it.

With respect to Guam, I was not only surprised, but delighted with the size of the institution. Obviously if it is going to serve a vast area and so many people, it, too, needs help. With that, I will just say, "Thank you very much."

Mrs. Green. Congressman Ruth?

Mr. Ruth. Thank you, Madam Chairman. I am afraid I will ask something already known, but I would like to clear it up in my own mind. In your current institutions, do you have any schools of agriculture?

Mr. Wanlass. We have at the present time an extension service staffed by five full-time people and I think seven part-time people. The service is primarily aimed at the problems of St. Croix, the largest of our Virgin Islands, but we do have people coming over to St. Thomas.

They are concerned with dairy cattle problems, with 4–H and youth work, with helping with some crop research. To that extent now we have an ongoing program. We do not presently have a curriculum in the agricultural sciences but we do have a master plan for the college of St. Croix campus which makes full provision for agricultural program development.

We have already gone through 2 years of study and planning, and we have allowed for some 50 acres of the land we have on St. Croix to be dedicated to this purpose, plus other important plans we have.

Mr. Ruth. With this grant, would you put in an agriculture curriculum?

Mr. Wanlass. Yes. We are going to move on the island of St. Croix in this area.

Mr. Ruth. Do you anticipate a good deal of registration for this particular course of study in your area?

Mr. Wanlass. I would say within the terms that I am going to use, which are the terms of the Virgin Islands, we will have an equal response in this field to, say, in business administration or to one of our other comparable areas.

If you ask me if it is going to be 80 percent of our student body, or 80 percent of our faculty, I would say "No."

Mr. RUTH. I am asking for more like 10 percent.

Mr. WANLASS. Yes; I would think the figure of 10 to 15 percent would be accurate.

Mr. RUTH. This has been a large area in my State, North Carolina, but it is diminishing. There are fewer and fewer people studying agriculture.

Mr. WANLASS. I think people need to be more expert, but there will not be great numbers of them.

Mr. RUTH. May I express my thanks to all of you for being here, and I think your arguments are persuasive and compelling, and I hope that we finally this year will get this enacted into law.

Mr. WON PAT. Thank you very much.

Mr. WANLASS. Thank you very much.

Mrs. GREEN. We do have other witnesses this morning.

The committee will come to order again, please.

Our next witness before the committee on the higher education legislation is no stranger at all, and a long-time friend of mine. I am delighted to see him, but I am going to turn to my friend and colleague from New Jersey to introduce him, if Ralph Dungan will come up, the chancellor of higher education.

Mr. THOMPSON. Thank you, Madam Chairman. Mr. Dungan is an old, old friend of mine as well, and a very valued one. He is not, as you probably know, a native New Jerseyite, but he grew up close enough by so that he knows something of the State.

He was our Ambassador to Chile, was on President Kennedy's staff as you know, and he is New Jersey's first chancellor of education since we modernized our educational structure a bit.

It is a pleasure to see him here this morning.

Mrs. GREEN. Mr. Dungan, will you proceed as you wish?

STATEMENT OF RALPH DUNGAN, CHANCELLOR, NEW JERSEY HIGHER EDUCATION, ACCOMPANIED BY DR. RICHARD MILLARD, EDUCATION COMMISSION OF THE STATE OF NEW JERSEY

Mr. DUNGAN. I would like to introduce Dick Millard, who is with the education commission of the State, and who is accompanying me here this morning.

Dick was, as you know, Madam Chairman, formerly chancellor of higher education in the Commonwealth of Massachusetts, and therefore a good friend and colleague of all of us who call ourselves State higher education executive officers.

I appear actually not so much on behalf of the interest which I represent in New Jersey, but rather on behalf of my colleagues, the State higher education executive officers.

Madam Chairman, and Congressman Ruth, I apologize that our colleague, Mr. West, who was to deliver the statement, could not be here this morning. He was called upon at the last minute to a meeting with the Governor in North Carolina this morning.

If I may, I would like to proceed briefly with a statement which you have before you, hit the highlights of it, and then leave ourselves open to questions which you may have.

It goes without saying that we greatly appreciate the opportunity to testify before this subcommittee to represent the views of the State higher education executive officers.

One of the major developments, as you all know, in higher education, especially in the last two decades, has been the creation in the States of statewide agencies legislatively charged with varying degrees of responsibility for statewide governing, planning, and coordination of higher education.

Currently 47 of the States have such boards or agencies. While they vary both in structure and scope of operations, all are at least responsible for considerable segments of public higher education; and in some States with planning in relation to private institutions, as well as public institutions. A majority of them also have the responsibility of administering one or more Federal programs.

Of the State agencies for higher education, some 19 are governing as well as coordinating and planning boards at least for all the senior public institutions of higher education in their States; and 28 are coordinating boards.

The most recent addition is Indiana, in which legislation authorizing a coordinating board has been passed within the last few weeks.

The justification of statewide planning and coordination as an essential condition for the orderly development, diversity, and effectiveness of post-secondary education, if it is to meet the needs of the citizens, the States, and the Nation now and in the period ahead, is now firmly established in most States.

And most recently elaborated, I believe, in the report of the Carnegie Commission called "Capital and the Campus" which is an extremely important discussion of the State's role in higher education, and there is a chapter on the emerging coordinating boards.

I highly recommend it to the members. I don't agree with all the recommendations, but it is on the whole a valuable report.

The nature and direction of Federal higher education legislation is a matter of major concern and interest to the members of the association, in every State and agency involved. This concern is obvious as the nature and the form of such legislation has a direct bearing on the form and direction that planning and coordination must take in the various States in meeting student, institution, and public needs.

First of all, we wish to express our appreciation to the various members of the House Subcommittee on Education for their continuing leadership in support of post-secondary education as demonstrated in the major bills they have submitted during the current session, as well as in the past.

The members of the association, in conjunction with the education committee of the States would, however, like to bring to the attention of the committee, the importance of more explicit Federal recognition of the role of statewide higher education planning agencies; and the need for a closer State Federal partnership in realizing institutional, State and Federal post-secondary educational objectives.

The primary responsibility for education planning for post-secondary education, public and private, rests with the States.

I would like to digress here just for a second, Madam Chairman, to say, to plead, if you will, not to look on this testimony and this request for more involvement of State higher education executive officers simply as another, if you will, lobby clamoring for public attention or claiming money.

Obviously we are parties with interest in this game of higher education but we believe of all of the players, we are the least involved in special interests.

It is our objective and our job, and we do it with varying degrees of efficiency and objectivity to look at the overall interests of the students and the institutions and the citizen taxpayers of our several States.

So we see ourselves not as another player, another claimant on the field, but if you will, something as the referee, or umpire.

To return to our formal testimony, the need for planning is particularly acute during the present period due to a number of factors, which include the following:

1. The scarcity of resources for support and expansion of postsecondary education at State and national levels;
2. The increasing emphasis on public accountability for all forms of education and postsecondary education in particular;
3. The apparent imbalance of educational products and manpower needs;
4. The aggravated financial plight of many private higher educational institutions;
5. The general acceptance at National and State levels of the equality of postsecondary educational opportunity, commensurate with individual ability, need and interest for all citizens, regardless of economic status;
6. The emergence of new and more sophisticated informational and management tools for postsecondary educational institutions and systems;
7. The increasing recognition of the desirability of institutional and programmatic complementation, rather than duplication and competition;
8. The current number and variety of public institutions in each State; and
9. The basic need for a rational sense of direction, for the development of higher education.

Accordingly since Federal legislation inevitably has a major impact on such planning, we suggest that there is a Federal responsibility to reenforce statewide planning as basic to the national interest, and to the health, even survival, of the kind of pluralistic and diversified, yet complementary postsecondary educational complex of institutions that promises to meet the needs of the States, the Nation, and the citizens of the period ahead.

Thus we suggest first that consideration be given to so amending pending higher educational legislation to make a substantial and continuing matching, but not necessarily equal, fund commitment to each State which has a legally authorized comprehensive statewide planning process for postsecondary education, including both public and nonpublic institutions.

While funds are not unimportant to all of us, and most of us are relatively small and struggling agencies, I emphasize it is not the money that is most important, it is the recognition that these institutions in the several States do have a very important role to play.

Such funding would effectively establish sound comprehensive planning on which further plans for postsecondary educational support may be based. It would also assist tremendously in the task of coordinating Federal plans with State objectives for postsecondary education. It would encourage the States to further carry out their own responsibilities in statewide planning.

Second, we suggest that Federal funds for such planning be allocated to the State agency legally responsible for general comprehensive planning for postsecondary education in each State.

Third, we suggest that Federal funds allocated for State planning and administration of various postsecondary categorical grant programs be administered by the designated planning agency.

This would help to avoid the type of isolated planning in connection with categorical grant programs, which can and sometimes does lead to conflicting plans of objectives.

An added benefit would be to insure greater equality for the same smaller institutions not as likely to have strong influence with granting operations.

Fourth, we would also suggest that provisions be made so that a portion of the Federal funds allocated to the comprehensive planning agencies may be allotted to any appropriate agency or institution for the purpose of aiding in the formulation and implementation of a statewide plan.

In the area of student assistance we would like to commend Mrs. Green for the inclusion of needy part-time students in the economic opportunity grant program, and on the extension of the program to include students in occupational programs. The inclusion of grants for self-supporting students is also a highely desirable addition to the student assistance package.

We are concerned, however, as a matter of general policy about the possibility of more effective development of a real Federal-State-institutional partnership in which State efforts in student assistance are recognized and strengthened. This should include the utilization of State agencies to help in the equalization of opportunity for not only students within an institution but among institutions within a State; and for those potential students who for financial reasons, do not apply to any institutions.

At present some 21 States have State student assistance grant programs of their own. The existence of these should be recognized, and additional States encouraged to develop effective grant programs.

We strongly support the extension of academic facilities construction grants and the continuation of State planning funds under title VII. We would however, like to urge that assurance be written into the act that planning funds shall go to agencies charged with the responsibility for statewide planning where such agencies exist.

It is hardly consistent to provide in some States for two agencies; one authorized by State legislation or constitution, and one called for by Federal legislation, each charged with statewide planning responsibilities, in the facilities field.

We endorse the recommended National Foundation for Higher Education. However, we would strongly suggest that the bill, in whatever form it may finally take, be amended to insure inclusion on the board of the foundation of representation from statewide higher education agencies.

Again the proposed programs of the foundation have State, as well as institutional, higher educational implications, and it is critically important that the statewide point of view be represented.

Finally, one of the most critical needs for the immediate future, if the other parts of Federal higher education programs are to be carried out effectively, is some form of general institutional aid to enable the institutions to meet changing conditions and effectively to increase postsecondary opportunity for the young people of the Nation.

While the problems of financial survival are particularly acute in the private postsecondary institutions, they are becoming progressively more acute for public institutions as well; particularly if the public institutions are to have effective leeway for experimentation and innovation in meeting State and National needs.

We would suggest, however, that at this time, such institutional support be considered an interim measure, and that provisions be written into the bill for very careful evaluation within a specified period of time to consider its effectiveness and its impact on the total postsecondary educational picture.

(The document referred to follows:)

STATEMENT OF CAMERON P. WEST, CHAIRMAN, FEDERAL-STATE RELATIONS COMMITTEE OF THE STATE HIGHER EDUCATION EXECUTIVE OFFICERS' ASSOCIATION

Madame Chairman, distinguished members of the committee, we greatly appreciate the opportunity of testifying before the U.S. House of Representatives Subcommittee on Education on behalf of the State Higher Education Executive Officers' Association. Representing the Association are Dr. Cameron West, Director of the North Carolina Board of Higher Education; Mr. Ralph Dungan, Chancellor for Higher Education in New Jersey; and Dr. Richard Millard, Director of Higher Education Services of the Education Commission of the States, which serves in a secretariat relation to the Association.

One of the major developments in higher education, particularly in the last two decades, has been the creation in the states of statewide agencies legislatively charged with varying degrees of responsibility for statewide governing, planning and coordination of higher education. Currently, forty-seven of the states have such boards or agencies. While they vary both in structure and scope of operation, all are at least responsible for considerable segements of public higher education; and in some states with planning in relation to private institutions, as well as public institutions. A majority of them also have the responsibility of administering one or more Federal programs.

Of the state agencies for higher education, some nineteen are governing as well as coordinating and planning boards at least for all the senior public institutions of higher education in their states; and twenty-eight are coordinating boards. The most recent addition is Indiana, in which legislation authorizing a coordinating board has been passed within the last few weeks. The justification of statewide planning and coordination as an essential condition for the orderly development, diversity and effectiveness of post-secondary education, if it is to meet the needs of the citizens, the states, and the nation now and in the period ahead, is now firmly established in most states.

The State Higher Education Executive Officers' Association consists of the Chancellors, Presidents and Executive Directors of these agencies in the various states. Dr. Ted Gilbert of Kentucky is the Chairman of the Association, and Dr. Cameron West of North Carolina is the Vice Chairman and Chairman of the Committee on Federal-State Relations.

The nature and direction of Federal higher education legislation is a matter of major concern and interest to the members of the Association, in every state and agency involved. This concern is obvious as the nature and the form of such legislation has a direct bearing on the form and direction planning and coordination must take in the various states in meeting student, institution and public needs.

First of all, we wish to express our appreciation to the various members of the House Subcommittee on Education for their continuing leadership in support of post-secondary education as demonstrated in the major bills they have submitted during the current session, as well as in the past.

The members of the Association, in conjunction with the Education Commission of the States would, however, like to bring to the attention of the Committee, the importance of more explicit Federal recognition of the role of statewide higher education planning agencies; and the need for a closer state-federal partnership in realizing institutional, state and federal post-secondary educational objectives. The primary responsibility for education planning for post-secondary education, public and private, rests with the states. The need for such planning is constant, but is particularly acute during the present period due to a number of factors. These include:

1. The scarcity of resources for support and expansion of post-secondary education at state and national levels;
2. The increasing emphasis on public accountability for all forms of education and post-secondary education in particular;
3. The apparent imbalance of educational products and manpower needs;
4. The aggravated financial plight of many private higher educational institutions;
5. The general acceptance at national and state levels of the goal of equality of post-secondary educational opportunity, commensurate with individual ability, need and interest for all citizens, regardless of economic status;
6. The emergence of new and more sophisticated informational and management tools for post-secondary educational institutions and systems;
7. The increasing recognition of the desirability of institutional and programatic complementation, rather than duplication and competition;
8. The current number and variety of public institutions in each state; and
9. The basic need for a rational sense of direction.

Accordingly, since Federal legislation inevitably has a major impact on such planning, we suggest that there is a Federal responsibility to re-enforce statewide planning as basic to the national interest and to the health, even survival, of the kind of pluralistic and diversified, yet complementary post-secondary educational complex of institutions that promises to meet the needs of the states, the nation, and the citizens in the period ahead.

Thus, we suggest first, that consideration be given to amending pending higher educational legislation to make a substantial and continuing matching, but not necessarily equal, fund commitment to each state which has a legally-authorized comprehensive statewide planning process for post-secondary education, including both public and non-public institutions. Such funding would effectively establish sound comprehensive planning on which further plans for post-secondary educational support may be based. It would also assist tremendously in the task of coordinating Federal plans with state objectives for post-secondary education. It would encourage the states to further carry-out their own responsibilities in statewide planning.

Second, we suggest that Federal funds for such planning be allocated to the state agency legally responsible for general comprehensive planning for post-secondary education in each state.

Third, we suggest that Federal funds allocated for state planning and administration of various post-secondary categorical grant programs be administered by the designated planning agency. This would help to avoid the type of isolated planning in connection with categorical grant programs, which can and sometimes does lead to conflicting plan objectives. An added benefit would be to insure greater equality for the smaller institutions not as likely to have strong influence with granting operations.

Fourth, we would also suggest that provisions be made so that a portion of the Federal funds allocated to the comprehensive planning agencies may be allocated to any appropriate agency or institution for the purpose of aiding in the formulation and implementation of a statewide plan.

In addition to direct Federal recognition of the importance of statewide planning, we would like to call attention to the need for sustained commitment and advanced funding in all Federal post-secondary educational programs. It is highly desirable that the Federal government establish definite objectives in its higher educational policies and programs, and achieve some stability in their financial support. Currently, among the major inhibitors of effective utilization of Federal higher educational funds in the service of national, state, and institutional purposes are underfunding, late funding, and fluctuating funding which create uncertainties or negate reasonable planning efforts.

In the area of student assistance we would like to commend Mrs. Green for the inclusion of needy part-time students in the economic opportunity grant program, and on the extension of the program to include students in occupational programs. The inclusion of grants for self-supporting students is also a highly desirable addition to the student assistance package.

We are concerned, however, as a matter of general policy about the possibility of more effective development of a real Federal-state-institutional partnership in which state efforts in student assistance are recognized and strengthened. This should include the utilization of state agencies to help in the equalization of opportunity, not only for students within an institution, but among institutions within a state; and for those potential students who for financial reasons, do not apply to any institutions.

At present some twenty-one states have state student assistance grant programs of their own. The existence of these should be recognized, and additional states encouraged to develop effective grant programs. The state agencies do have more opportunity than individual institutions to view the picture within the states as a whole and to help insure the kind of equitable distribution which a Federal formula relating to numbers of students in institutions may inadvertently not achieve. With the changing characteristics of new additional students, the funds from institutions, states, and the Federal government need to be very carefully coordinated; if maximum benefit to students is to be achieved.

In the area of continuing education and community services, we would suggest that this would be an appropriate time to consider the consolidation of Title I with other Federal programs in these areas into a single comprehensive and well-defined community service and continuing education title. Not only should the legislation consolidate existing programs; it should more clearly designate continuing education as integrally related to community service in order to avoid some of the ambiguities of the past. This is one of the areas in which statewide planning is particularly needed and close cooperation with authorized planning agencies is essential, if we are effectively to utilize the higher educational resources of a state.

In connection with developing institutions, we suggest that to insure that the funds are not dissipated; they should be awarded through the appropriate state higher education planning agencies in acordance with state plans to insure their most effective use in meeting clearly-identified post-secondary educational needs which are also appropriate to the institutions in question.

We strongly support the extension of academic facilities construction grants and the continuation of state planning funds under Title VII. We would, however, like to urge that assurances be written into the act that planning funds shall go to the state legislatively-designated agencies for statewide planning where such agencies exist. It is hardly consistent to provide in some states for two agencies; one authorized by state legislation or constitution, and one called for by Federal legislation, each charged with statewide planning responsibilities.

We endorse the recommended National Foundation for Higher Education. However, we would strongly suggest that the bill, in whatever form it may finally take, be amended to insure inclusion on the Board of the Foundation of representation from statewide higher education agencies. Again, the proposed programs of the Foundation have state, as well as institutional, higher educational implications, and it is critically important that the statewide point-of-view be represented.

Finally, one of the most critical needs for the immediate future, if the other parts of Federal higher education programs are to be carried out effectively, is some form of general institutional aid to enable the institutions to meet changing conditions and effectively to increase post-secondary opportunity for the young people of the nation.

While the problems of financial survival are particularly acute in the private post-secondary institutions, they are becoming progressively more acute for public institutions as well; particularly if the public institutions are to have effective leeway for experimentation and innovation in meeting state and national needs. We would suggest, however, that at this time, such institutional support be considered an interim measure; and that provisions be written into the bill for careful evaluation within a specified period of time to consider its effectiveness and its impact on the total post-secondary educational picture.

Again, we wish to express appreciation to you for the opportunity to meet with the Committee today, and we would be happy to offer to you or your staff, any appropriate aid we can make available, through the members of the State Higher Education Executive Officers' Association either individually or collectively.

Mr. DUNGAN. If I may digress again, this is something of a personal view. Too many Federal programs in my experience have gotten on the books which seem to be fine but tend to get built into the thinking of the recipients of Federal assistance and sometimes distort and indeed work against the purpose for which they are originally set out.

I believe that higher eduction and health care are among the least well managed of our public enterprises. It may be revealing a trade secret, but it is not always known exactly how resources are being used in higher education, and we don't really know what the social utility of some expenditures is.

I am suggesting that one, particularly because there are potentially large amounts of money involved in both student and direct grants to institutions, has to carefully look at what one gets for the dollar expended.

Let me give you an example.

Ought one give the same institutional grant to an institution which utilizes its facilities 50 percent of the time as one gives to an institution which utilizes its facilities. let's say, 70 or 80 percent of the time?

There are questions of social equity here.

I am not talking against one formula or the other, and almost any formula which is reasonable would be acceptable. All I am suggesting is that we take a look at it after a period of time to see if it is indeed doing all the things we ought to do.

I will wind up, Madam Chairman, and gentlemen, by saying we express our appreciation to all of you for listening to us this morning. We hope to continue this new association with the committee.

We are new in the game, and we are basically not lobbyists. We are here to present a point of view, I hope a public and objective point of view. I would like to turn to my colleague, Dick Millard, and see whether he has any supplemental comments to make to our statement, if I may.

Dr. MILLARD. Thank you, Madam Chairman. The first thing I think I would like to point out is that obviously with 47 different statewide coordinating agencies or governing agencies, there will be variances of opinions among these.

They include the full range of the political spectrum.

At the same time, I do want to point out in relation to the issues which have been talked about today that these have had the general approval of the steering committee of the Education Commission meeting in San Diego in November and in Chicago in April.

They also have been reviewed and approved by the executive committee of the Association of State Higher Education Agencies, and prior to their development the major issues were circulated among the states for their particular responses.

I would like to go on to add one other thing. We received yesterday a copy of H.R. 7429. We have not had time to analyze this in detail, but I would like to make two or three comments about it since it is integrally related to the postsecondary education picture.

First, I would like to congratulate the members of the committee and sponsors of the bill in connection with this for a number of things. It seems to me that this particular bill, Occupational Educational Act of 1971, does three or four things that are desperately needed.

One, it does recognize clearly, as I think no other act or proposed act has, the integral character of postsecondary occupational education to the total postsecondary effort, including the recognition that occupational education does go on in community colleges.

This is where a very large part of it does, that is, in community colleges and in vocational institutes, but it also goes on in 4-year institutions and branches of 2-year institutions and so on across the board.

It seems to me this is a major step forward in recognizing that occupational education is not a second cousin. It is not something which is primarily or wholly the province of what might be described as the vocational educators, and I do not mean this in a disrespectful sense.

But it is something that needs to be taken into account and planned for in the total higher educational operation.

I would also like to congratulate you and the committee on the manner proposed for designating the appropriate state agency. This is exactly the kind of operation and concern that must, it seems to me, be taken account of in the total planning for postsecondary education in the States, and this is one of the areas with which the various boards of the State higher education executive officers association are very much concerned.

This if I may say so, is a tremendous improvement over the proposed Occupational Education Opportunity Act suggested last year.

It has tightened up some of the weak places, it has expanded the concept, it does recognize the terrifically important role of the community colleges, but it also recognizes the integral character of occupational education to the total postsecondary education spectrum.

Thank you, Madam Chairman.

Mr. DUNGAN. I had an opportunity to read this bill, Madam Chairman, just this morning very quickly. I would concur 100 percent with my colleague on this, and I think all of our colleagues in the several State agencies would agree also.

I can't help but say as an old bureaucrat, however, that I think there will be some difficulty in working this out.

I can see obviously that the drafters of the legislation anticipated some of those difficulties. I think, again, this is one that, if enacted, the Congress will want to scrutinize very carefully in its execution to see, indeed, whether the purposes sought are actually attained.

What you are really saying in this bill is that the problems of education, of a larger number of people at postsecondary levels increaseingly are going to have an occupational orientation and ought to, and that collegiate level institutions really ought to be involved in a significant way and not as kind of the tail on the dog, which I personally believe they are under the current situation.

In fact, just to give you an example, of that, in New Jersey, where there was $12 million available in fiscal 1970 for occupational education, less than $500,000 of that went to the community colleges, who probably provided considerably more than 50 percent, on a credit-hour basis, of the occupational education provided. I think the role of the community college is becoming increasingly important throughout the country.

So I think the thrust of this bill is absolutely right. I think it ought to be watched to insure that it turns out the way I think you would envision it.

Dr. Millard. May I add one other thing in connection with this? It seems to me this is the kind of a bill in which the development of the implementing procedures will either strengthen it or thwart it, and I think it is going to be extremely important if the bill does go through, and I certainly hope it does, that care be taken in developing the implementing procedures so that the intent of the bill is not diverted.

Mrs. Green. Thank you very much. I wish Congressman Quie were here to hear your words on the bill which he took the leadership in putting together, and I cosponsored with him.

Mr. Dungan, you suggested that if we had institutional aid it be temporary and that we really reevaluate it. When I put in the provision for the institutional grants, I did so because I had been persuaded that a number of institutions are going to have to close their doors if they don't have some financial assistance.

But I think I share your view in the sense that I would like to have it considered as an emergency measure while the institutions of higher education do reevaluate their own internal operations and their total program and institute reform.

Being as you described yourself, an old bureaucrat, you do think it is possible, once having started a program to end it?

Mr. Dungan. It is very difficult, Madam Chairman, very difficult, and if we were not in the kind of emergency situation I think we are, I would perhaps be timorous enough to suggest that the Congress wait a little bit on this. But I do think we are. The fact that all of a sudden this emergency seems to have crept up on us really supports the viewpoint that I was trying to put forward, that people really have not had the kind of indicators that one would have, for instance, in business, that would have given us some warning.

Now all of a sudden colleges and universities throughout the country are seeing that for a variety of reasons they are very hard pressed.

That is a round about way of saying that yes, it is difficult to turn off a program once it gets started. I think if it is very clear that when people begin to build into their thinking and into their budgets an expectation that a certain amount will likely be provided each year we get ourselves into trouble.

I think it would be difficult politically for Congress to turn that faucet off.

Mrs. Green. The responsibility would really have to rest with the institutions of higher learning, because they would immediately have their built-in constituencies to lobby for a continuation of the program. I would hope that the word would be spread far and wide that as far as I am concerned, and I think most of the others who cosponsored the legislation would agree, this is emergency legislation to meet a crisis.

In the area of student aid, you suggested that the State agency and the State coordinators have a voice.

Do you consider that language sufficient at the top of page 31?

The intent was that in any institution where there is a State system of higher education that that board or board of regents would have the policymaking decisions as to how the student aid would be administered in all of the institutions which are under their control.

In Oregon we have a State board of higher education, and obviously it would be better for them to make the policy than it would each of the State tax supported institutions.

Mr. DUNGAN. I would have to look at the language, I have a draft here that has different pagination. It was page 31?

Mrs. GREEN. Yes, 7248, the top of the page, the first paragraph.

Mr. DUNGAN. "Nothing in this act shall be deemed to limit".

Mrs. GREEN. Yes.

Mr. DUNGAN. Well, I think it would be better, if I may say so, if it were stated more positively, Madam Chairman, that it is the intention that policy for student aid where there is an overall State agency, be set by that agency. That does not frustrate, necessarily, the responsibility that, for instance a State scholarship board or an educational opportunity fund board or any other board has for the policy of implementation of the program.

The key thing here, and I think Dick would agree, apparently from your notion, too, is that there be an overall policy for the administration of student aid.

This also, if I may say so, would force coordination of agencies where they have them take a look at this terribly important policy area to see where student aid money actually is going, and under what kinds of policies and criteria.

A lot of student aid money goes to the wrong people these days.

Mrs. GREEN. Go ahead.

Mr. DUNGAN. I suppose it is an exaggeration to say "A lot of." There is no adequate assurance that available State and Federal moneys, are really going to the people they ought to go to under existing rules. It happens often that they are well managed and the policies are well set.

Our own board, which has rather plenary powers, in this regard has really not aggressively looked at State student aid policies.

We happen to have a pretty good kit of tools, of loans and scholarships and what we call educational opportunity grants for disadvantaged students, but that has been a kind of a hodge podge, a put it all together kind of thing, and I think this kind of provision is exactly the kind that Dick was talking about before that would stimulate and strengthen the States that assume responsibility.

Mrs. GREEN. This has been one of my main concerns in changing the thrust of the student aid—the feeling that a lot of students really need the money to get through the institution in which they are enrolled and are not getting it. I have felt that the administration's bill was deficient in that the middle income students, at least from my viewpoint, were almost totally eliminated from aid. If we turn over to each State coordinating agency and each institution, the authority to put the assistance package together, I think we might fare better.

We put a limit on the amount of loans and the total amount of educational opportunity grants. But it would be possible for the individual institutions or the State board to put together the educational opportunity grants, work-study, subsidized loans, GI assistance, social security assistance for students, State scholarship or loan, et cetera, in a more meaningful package. Each State could decide what their priorities and problems are, rather than saying to the Office of Education, " you write guidelines to affect all States and territories."

Mr. THOMPSON. If the chairman would yield, I think the objective set forth in what you said is terribly important. I gather that the witnesses feel that they would like the objective set forth far more explicitly, and I think that that can be done rather easily in terms of language, without violating what you said.

I have rather limited experience, but I have some with our New Jersey institutions under Mr. Dungan's department, the college at Gloucester, the college at Trenton, and the college at Newark. All have entirely different standards.

I have a niece in one and a niece in another, and the standard applied to them just does not make any sense.

Mrs. GREEN. We have had some differences of opinion from witnesses, some of which I really find hard to comprehend.

Mr. THOMPSON. Aren't they the ones who say, look, give us the money, and we will take care of it?

Mrs. GREEN. They have asked us to write directions and guidelines, to spell it out for them. I said to one who was very much in favor of institutional aid, "If your university has the intelligence to decide how the institutional operating grants are going to be used, I would presume that you would have the intelligence and the know-how to decide to whom the student financial aid would go."

Mr. DUNGAN. I would say just one thing on that, Madam Chairman, I think the Congress really does have an obligation to set some fairly general criteria, and you have practically enunciated them here; that student aid officers or aid dispensing institutions or individuals ought to take into consideration, if you will, those with the greatest need, first and also the need of part-time students and others.

In other words, you set forth some general criteria, under which all of your various aid packages are to be administered and the application of those principles and standards should be left ultimately to the financial aid officer.

I can understand the concern of some who ask for more explicit directions, and we have had experience with both Federal and State programs where the original purpose has been distorted for lack of sufficient explication of the standards under which the programs were to be administered.

The old problem on the Federal level, how specific you get in applying your rules and standards.

Mrs. GREEN. I think also in those institutions where we do not have financial aid officers with the same expertise, there is already discussion that in regional conferences there will be training programs for these people to bring them up to certain levels——

Mr. **Ruth.** Madam Chairman.

Mrs. **Green.** Yes, Congressman Ruth.

Mrs. **Ruth.** Along the line you are talking about, having had experience with financial aid officers, they are confronted with an individual who says, "I want to borrow Federal money" and they are convinced this is tax money that they are entitled to, and when you start giving them institutional rules rather than Government rules, they don't think much of it.

They don't like the institution telling them what they can do with regard to their Federal money, and that is why I think they want more Federal guidelines, which say "The Federal Government says you must do this to get this money."

I see, with you, what they are hiding behind. This is kind of like the girl who wants her mother to require her to be in at 12 o'clock, because if we don't have that rule, it is up to her judgment.

Dr. **Millard.** These are the areas in which there is a possibility of much closer Federal-State cooperation.

I agree with you about the importance of keeping the Federal guidelines as flexible as possible, but it seems to me one of the implications of this is that it then becomes, extraordinarily important that there be fairly clear State guidelines, that it might be that this is an area in which, again, there should be a State plan.

One of the problems in the area of student aid and its distribution is obviously the problem of institutions vis-a-vis institutions. It seems to me an institution has an obligation to try to provide equality aid on the basis of need to its own students. It is an extraordinarily difficult situation if the institution somehow has to take account of, let's say, the needs of students in the State of Oregon as a whole.

The function of the State in this operation is to help create the kind of equality of opportunity in the State as a whole that the institution has responsibility for in relationship to its own students.

I think this is one of the areas in which the Federal-State cooperation could be much more fully defined than it is.

Frankly, in reading section B on the top of page 31, I did not read into it—I am delighted to have you interpret it—I did not read into it a direction which would allow the State to develop its own criteria.

I think it would be highly desirable if this could be positively stated instead of negatively.

Mrs. **Green.** To be read with section 467(a) where we give the individual institutions authority.

Congressman Steiger?

Mr. **Steiger.** Let me turn to this. I am reading from the educational commission's bible here. You say in student aid as I understand it that, "more specifically, the following factors should be taken into account."

"A. Need should be basic criterion." You go on then through your list, down through I. Mrs. Green's bill, if I interpret it correctly, would essentially remove present laws and limitations in pinpointing aid to the neediest students first. Is that a good idea?

Mrs. **Green.** Would you yield?

Mr. **Steiger.** I would be delighted to.

Mrs. **Green.** If you would substitute the words "guidelines from the Office of Education" for "law," I might agree with you, but I think my bill does not change the congressional intent of the law—that need is to be a basic factor.

This is still in our bill. But the Office of Education sent out a guideline, which has been interpreted, as several student financial aid officers have told me, in the following fashion:

If X institution has a thousand dollars, and the neediest student has to have a thousand dollars or drop out, and there are four other students who also have to have help, but each one of them could stay in the institution with only $250, the institution has no flexibility, no choice at all. The Office of Education guideline says they have to give the full thousand to the neediest student. The other four students are out of luck despite the fact they may show more academic promise.

Mr. STEIGER. In the case of work-study on page 23, there is deletion of the word "particularly students from low-income families."

Mrs. GREEN. That is right. This expands it to include not only the neediest students but also middle income.

This is one of the departures in the bill to counteract the guidelines that have been sent out, so that we might extend some help to the students from middle-income families, who are suffering more today from the financial pinch than anybody else.

We have had testimony from administrators of private colleges that their student bodies are changing. With the tuition high, the middle class can't go.

Mr. DUNGAN. May I make comments on this? I feel particularly well qualified, because New Jersey is one of the few States—there are actually three—to have what we call an educational opportunity fund which is a parallel program to the Federal EOG program.

There are two points which might be made.

One, I think the difficulty with the tightened HEW regulations on EOG, and other programs is basically because there was a distortion of congressional intent at an early stage in the game. There were people getting EOG money probably who ought not to have received it. That is historical.

It was a scandalous situation.

Mr. STEIGER. Ought not to have got it?

Mr. DUNGAN. Yes, who were not really low income——

Mr. STEIGER. You are tlaking about the fact that their incomes were too high?

Mr. DUNGAN. Yes. Dollars went to institutions, and students with relatively high incomes enrolled, and for them they were poor, and they received grants. There were other students elsewhere in the State considerably poorer who were getting nothing.

This is the problem that you get into when the distribution is made on an institutional basis. Nobody is being dishonest. It is just that their clientele happens to be middle income.

Now there happens to be a more fundamental question it seems to me, in the administration of programs, particularly for disadvantaged. We have a program where our legislation said, "poor economically or educationally disadvantaged students" would be eligible for the EOG money. Our grant is the same as the EOG.

What happened very subtley in the administration of that program was, as they said in the trade, that a student "had to be dumb and poor."

So that cut out bright kids, and poor but not too bright kids.

So I think we have to take a look at putting that money on very low, and low middle-income people, who have the highest possibility of attainment in whatever level they have chosen to go on to, baccalaureate, community college, or whatever else.

I am very sympathetic to the problem, of the lower middle-class youngster, but one must make darn sure that one is taking care of the really needy students—the really poor kid who could not move out of his educational situation without substantial aid.

As Dick pointed out, we do think that need should be the primary criterion, but not necessarily the only criteria by which the aid is distributed, whatever it is work study, or whatever.

Mr. STEIGER. How do you define middle income?

Mr. DUNCAN. I think that depends on the State, Congressman. In our State, a middle-income person is around $8 to $10,000 a year. Our State scholarships are being distributed to students whose families have a median income of around $7,500.

That is low middle in our State, $7,500.

Mr. STEIGER. You have spoken eloquently in support of some form of institutional aid on the basis that there is a fiscal crisis. Where is the crisis?

Is it in private institutions?

Dr. MILLARD. First, I think there is a very serious crisis in the private institutions. The Association of American Colleges report which I am sure you have seen documents it in detail.

The Carnegie report on the 40 institutions documents that some of the most prestigious and sometimes assumed wealthiest institutions in the country are really in desperate need.

But the situation is extraordinary critical in a number of States right now. As you know, a number of States have problems with tax bases. The priorities in relationship to the general funds of the State have grown tremendously. Everyone of them has escalated. Higher education has escalated perhaps as rapidly as any of the others. To give you some idea of what is happening in terms of State appropriations at the present time, and I want to make it very clear that this is not necessarily because of lack of intent of the States in question right now, during fiscal 1970–71 (since we don't have appropriation figures for the current year) there were six States that did not increase their appropriations for higher education at all.

There was no State that decreased it, but a lack of any increase, with inflation, is in fact a decrease. There were five States in which the increase was 3 percent or less.

If you carry this one step further to the point at which you look at the end recipient; that is, the appropriation per student, there were 17 States in which the appropriation per student per capita, was less, and in some cases considerably less than the year before.

On a percentage basis, they varied all the way from one State with a 17-percent decrease in per capita support of students to some States with considerable increases.

Mr. STEIGER. My problem with all that is this: Are you going to tell us that you now want the Federal Government to come along with $100 per student and $200 per student and attempt to correct the problem of those legislatures that may have decided that there are other things that need greater priority?

Do you really have a crisis in State institutions of public education?

Dr. MILLARD. In some of them, I think we do.

Mr. STEIGER. Clearly, there is a source of revenue available.

Dr. MILLARD. Yes, there is a source of revenue available, but I think as you are well aware one of the fastest ways for a Governor or legislature not to be reelected is to tamper with the tax base.

I think this has to come, there is no question about it. It is one of the reasons why I think that any Federal aid at this point be looked at as a temporary juncture to meet a current crisis.

Mr. STEIGER. If I thought that were the case, then why don't we expand title III and developing institutions to make that available on an expanded basis to those institutions that really do have a demonstrated fiscal problem, without a resource other than tuition or endowment?

Dr. MILLARD. I think you would have to radically change title III, because unfortunately a number of these institutions are not developing institutions.

Some of them are the very land-grant colleges that we mentioned earlier this morning.

Mr. STEIGER. What land-grant colleges are in that much trouble?

Dr. MILLARD. I am not——

Mr. STEIGER. I know that if the president of the University of Wisconsin were here he would probably tell me he is in trouble because the legislature is not giving him as much as he wanted.

But I am sorry. That does not mean he is in deep financial trouble. I would quite agree.

Mr. DUNGAN. It goes to the first law of higher education economics, that colleges will spend as much as they can get.

Mr. STEIGER. That is correct, but that does not answer the question of how the colleges are going to come to grips with this. Maybe they have had bad planning and so forth. I see empty dormitories in my State.

Dr. MILLARD. Let me see if I can rephrase it. I think these various factors are tied together. This is one of the areas in which, again, the development of adequate management practices, the application of some of the results, and a number of things will make a difference.

There is no question but that we are past the period of tremendous affluence of the institutions either public or private.

Not all this is bad. It will mean trimming fat that perhaps ought not to be there. But I think there is a long-range problem and a short-range problem.

The long-range problem is the development of better budgeting techniques, the development in some States of a change in the tax structures, the more adequate utilization of the funds that are available to the institutions perhaps under the direction of coordinating agencies within the various States.

But I think at the same time it is also true that the pinch, financial pinch in this respect, is probably more acute in a number of States right now than it is even with the Federal Government.

I would point out what happened in Pennsylvania just a few weeks ago.

Mr. DUNGAN. To illustrate that there is no uniformity in viewpoint among State higher education executive officers, or my good colleagues from ECS I don't agree with them, and that is why I say whatever is done in this area be done on an interim basis.

Dr. MILLARD. I am agreeing with you on that.

Mr. DUNGAN. What I am saying is that there are State university and public systems throughout the country, which are experiencing appropriations problems.

They are not growing, either in size or number of dollars per student. It does not necessarily mean they are down the drain, or are about to go down the drain.

It may be, as they say in the stock market, "we are in a bottoming out situation." Some institutions are having for the first time to take a look seriously at whether they are putting their resources in the proper places.

I would not like to see the Federal Government come in, to be frank with you, with a massive injection and/or even a modest amount of money which freezes bad practices.

I don't believe that any level of support per student or dollars per university, or however you want to do it is right and could be demonstrated to be right.

This is heresy for a person in my position to say, but I honestly believe it is time for this kind of candor, or higher education is going to lose what credibility it already has with the public.

Mr. STEIGER. I am grateful to you for your candor. We had Alice Rivlin here yesterday. We had a superb statement echoing what you just said.

Let's say there are institutions in which there is a problem. The solution is this panacea of across the board institutional grants, without any kind of differentiation between the kinds of problems that exist.

I really am concerned over that type of an approach to respond to what I recognize can be legitimately called a serious problem.

Let me pose one other question. If I were in the State legislature as I once was and I saw a hundred dollars per student coming to my State from the Federal Government, and if I viewed my role as being one that made it safer for me to be against raising taxes than to be for raising taxes, would I not be better off to actually reduce the State expenditure, or not to increase it on the basis that the Federal Government was now coming into the picture to a greater extent?

Couldn't we under the $900 million in the Green bill actually reduce the level of expenditures by State governments since the Federal Government is now in the business of financing?

Mrs. GREEN. You are in favor of revenue sharing, are you not?

Mr. DUNGAN. That is a very good point, I must say.

Mr. STEIGER. I recognize it.

Mr. DUNGAN. The question is whether you want to go into a general revenue sharing. The fact is that there has to be, in my opinion, a shift in resources allocation back in the States. That is where the action is, that is where the services are being provided, in the States and municipalities, as you all well know.

Their backs are being broken, and I am not in a good position, because the State of New Jersey, as you know, does not have an income tax. We have not made a sufficient revenue effort, but that, I hope, will be remedied in the near future. It will have to be remedied, as a matter of fact.

But the point is that once that effort has been made, it is still not sufficient to provide a reasonable level of public service, and therefore there is going to have to be a flow back.

I am not telling the members of this committee anything new. The question is whether this is an appropriate way to do it. I would say if you are going to do it this way you had better do it according to certain standards.

Colleges, I don't think, have thought it through. Using my example of spare utilization—it is a bad use of Federal money to support an institution simply because it exists.

Dr. Millard. Let me say, Representative Steiger, that I am not in disagreement with Ralph on this, and I do think that it becomes very important to look at this as an interim measure. It might be possible, even, to strengthen its interim character by some provision, that within a stated period of time the States will give appropriate indications by State plans of how the funds in the future shall be used.

That may be going too far to suit a number of institutional representatives, but I think you have a very legitimate point.

There is no assurance that the legislature won't simply reduce the appropriations.

But at the same time, institutional aid, as an emergency measure, will give a breathing space, both from the standpoint of reconsideration of priorities at the State level and reconsideration of national priorities, and again, reconsideration of institutional priorities which desperately need to be done at this time.

Mr. Steiger. Let me then, just briefly then—Madam Chairman, you have been very patient—you have suggested amending the legislation to make a substantial and continuing commitment to each State which has the legally authorized statewide planning process.

This varies tremendously. Do you have any in your testimony—I have forgotten, frankly—do you have the States that are in that position?

Mr. Dungan. All but three.

Dr. Millard. They vary in sophistication. I think there is no question about this. They vary in their powers and responsibilities. There are two or three things that tend to be characteristics of all of them.

Mr. Steiger. In Wisconsin, for example——

Mr. Dungan. You pick a very sensitive one.

Mr. Steiger. That is why I picked it; your coordinating committee for higher education; is that the agency?

Dr. Millard. May I comment on Wisconsin, and I want to make clear that I am not saying what Wisconsin ought to do, but I think you have had in the coordinating agency and its executive director a very able person.

I fully recognize the problems in Wisconsin. While I don't know them all, I am aware of some of the ramifications. If Wisconsin does change its structure as the Governor has proposed and go to a total university system which includes all of the State universities in addition to the University of Wisconsin, it in effect is substituting a governing board for a coordinating board.

Now I am not prepared to argue pro or con in relation to this. I think Wisconsin will still under any circumstances be one of the States where there is a board that meets the general qualifications.

Mr. STEIGER. We do not understand the concept Governor Lucey proposed to provide vocational education. That is under a separate board.

Dr. MILLARD. Yes, it is, but what I am suggesting is that it is highly desirable for the States—the Commission has recently committed itself in a report on statewide planning for postsecondary education and you will be getting a copy of its report very shortly—we have strongly suggested that it is high time the States moved in the direction of recognizing the total spectrum of postsecondary education in their coordinating and administrative structures as well as in terms of their, what might be called their operational separatism.

The pattern across the country in community colleges, for example, is quite varied. In a number of States, and I unfortunately don't have the figures with me in terms of which ones, but in a number of States, the community colleges are under a coordinating board or under a common board for higher education.

In some States they are under the board of education, rather than the board of higher education, which creates a peculiar dichotomy.

I had better be careful how I phrase this, but the area of vocational education is probably one of the most confused areas in the Nation.

Part of this, I must say, has been due to some of the interpretations of the vocational amendments of 1968. Part of it goes further back than that; but in some States, at the present time, you have the peculiar kind of a situation where you have three or more boards all responsible for parts of vocational education.

This is a most unfortunate kind of situation. In some ways it has been federally sponsored, and in some cases due to historical accident.

There are now at least 27 States that are in the process of reconsidering their coordinating and governing structures; and the tendency, and you can always point to exceptions, but the tendency is in the direction of strengthening these and broadening their comprehensiveness.

Mr. DUNGAN. But if I may suggest, Mr. Steiger, you hit a very important point. As you will note from this table, because of the time when these coordinating boards came on the scene historically, the earlier ones tended to be less comprehensive in their powers.

The later ones, of which I am a representative, are really mixed coordinating—governing boards, which try to keep as much autonomy in the institution as possible, and consistent with your orderly planning as well as implementation.

I don't think the last word has been said on what is the ideal setup of coordinating boards, coordinating governing boards, and I think Wisconsin is in a peculiar position. It is in transition, and it is typical of the Midwest and the West, where you have a large, strong land-grant institution that has dominated public education.

There has always been the struggle between that kind of power and a statewide coordinating mechanism. Finally, political authorities, and I will not say this of Wisconsin typically, get frustrated and say, "Oh, to heck with it, we are going to put it under one governing board that I can feel is responsive to my need as Governor or legislature."

That in my judgment is the wrong way to go. One needs to preserve that thing which is best in American higher education, and I want to say this loud and strong, because I think it represents the views of my colleagues.

The institutions have to be permitted to make their own mistakes and do their own thing, to be pluralistic. That is what is strong about American higher education, and it would be a disastrous thing if we all moved in a strong centralized system, even though I represent the apogee of that kind of a system in our State.

I think I can do my thing without making any decisions about programs, except to the extent that they have to be made in terms of overall planning.

I don't hire professors and tell them what textbooks to use, and I ought not to do so.

Dr. MILLARD. We should add that again, as far as executive officers are concerned, this organization includes both governing types and coordinating types.

There, however, is little difference of opinion, I think, on the essential need at this point for comprehensive planning that includes the whole range of postsecondary education.

Mr. STEIGER. May I just say that because I have an admitted experience, background, and bias based on Wisconsin, I am a little hesitant to want to try to amend the Federal law on the business of funding a statewide planning agency, but I would like the Commission witnesses to supply language, if you are willing to do that, that would implement the recommendations you have made in your testimony.

Mr. DUNGAN. We would be delighted to do so.

Mr. STEIGER. I am sure the committee would consider it, and I would very much like to look at it, to try to figure out in my own mind what we should or should not do.

Thank you both very much.

It has been exceedingly helpful.

Mrs. GREEN. I have a couple of comments or questions. In regard to institutional aid, I have already said I would like to have it considered an emergency provision. I might also say to my colleague from Wisconsin that if somebody could come up with a needs test for institutions of higher education that would meet the crisis and provide equity, I really, would favor that.

I think it is far more difficult to write a needs test for institutional aid than it is to write a needs test for student assistance.

If you could come up with a good needs test, I would be delighted to consider it.

I would call your attention to page 77 of the bill in terms of higher education, but they have to submit to the Commissioner their application for a grant, and this is not going to accomplish miracles—it is at the bottom of page 77 and the top of page 78—but the reason that language was in there was to try to urge institutions to think what their needs were and what their goals were, and to have to really spell it out.

Making the application, and then when they are going to spend money there would be some way of deciding whether the moneys were spent for the purposes for which they outlined the need.

Dr. **Millard**. That could be made stronger if in addition to that, there were directions that in those States where there are planning and coordinating agencies a duplicate of the needs statements be sent to them.

Mrs. **Green**. Yes.

Mr. **Dungan**. The other thing, Madam Chairman, and I am not suggesting an amendment to the bill at this moment, but under that language, as I read it quickly, is that it all get expressed in terms of institutional goals somewhat like the accrediting agencies. They evaluate the institutions in terms of the goals that the institution sets. As one gets into a public support program, at least some parameters have to be set around what institution's goals and ambitions are, it seems to me, in order to insure that there is a reasonable equity in the distribution of public funds.

I guess what I am saying here, without getting into a rigid formula, I think one ought to know how much bang one is getting for the buck to use a phrase from another area.

Mrs. **Green**. I can also remember how all the students of higher education went into outer orbit last year when there was a suggestion of submitting a plan to establish better communications among faculty, administration, and students to prevent riots. They went into orbit over it, and just pleaded, you know, academic freedom and autonomy and everything else.

Mr. **Dungan**. I agree with you, Madam Chairman, and I think it is the overall issue, and it is the question of the accountability to which we referred in our testimony. We are out of the era when any academician can stand up and scream "academic freedom" every time a public official says, "but why?"

Mrs. **Green**. Let me ask one final question. Mr. Hogan points out on page 84, they will also have procedures for periodic evaluation of the programs to be supported.

I have just one question. On the foundation, can you come out in favor of it without any qualifications?

Mr. **Dungan**. Except that we want to be represented, like other power grabbers. [Laughter.]

Mrs. **Green**. It is of interest to me in terms of, again, the autonomy of the institution. It would, as I see it, concentrate a tremendous amount of power in the hands of a very few people here in Washington who are politically appointed. As I said, to Clark Kerr at one time, and yesterday to Frank Newman, would you be so enthusiastic about the foundation if Max Rafferty were to be the director of it?

Always the answer has been couched in terms of, "we are all in favor of it if it is a good board". I remember LBJ's statement, when he was the majority leader of the Senate, that legislation must be considered not in the light of the good things that will result if properly administered, but the wrongs that will ensue if improperly administered.

It seems to me that inherent in this setup is something that could be tremendously dangerous, because it does depend expressly and exclusively, as I see it, on having "the right people who would make the right decisions." With the political turmoil in our country, I am not convinced that for the next 20 years it is written in the heavens that we are going to have——

Mr. DUNGAN. Wise persons in office——

Mrs. GREEN. Yes.

Mr. DUNGAN. That is a very good point. I would like to say one thing, though, that I don't really myself believe that higher education institutions, like many other institutions in our society, are going to change very much unless, as John Gardner has said, they will be stimulated by some external force.

This is why I personally believe that the Congress in dispensing its largesse and otherwise, can lead people along and push them, as it has in other programs, and why I think the State coordinating agency at this juncture in higher education has an important role to play.

We would expect that you would keep us honest, too, as I am sure you will.

Mrs. GREEN. I will make one final comment, and then I have to go, and I will turn over the gavel to my colleague.

In terms of the foundation again, it seems to me a strange paradox that institutions last year pleaded for autonomy and academic freedom, and yet they will accept a foundation which Secretary Richardson described as one of reform. The administration wants to start at $200 million a year, and they will give the grants to those institutions which are willing to change.

Now inherent in that is those institutions which are willing to make the changes that the foundation decides ought to be made. It seems to me the diversity of higher education, which we have had throughout the history of this country, is threatened.

Mr. DUNGAN. Maybe they think the foundations will never get out of the control of the higher education establishment.

Mr. STEIGER. But you would not want that, would you?

Mr. DUNGAN. What, that it would not get out of control of higher education?

Mrs. GREEN. How would you define "higher education"? It seems to me so much is dependent on the personality of the director and board, if Ronald Reagan or Max Rafferty became director, would you still say they should have control?

Dr. MILLARD. I think it is important to say what the functions of the commission are. I think it is also important to make sure that the board is adequately representative.

I think if these are the cases, and if the foundation is seen, and it does not have any control power as I read it——

Mrs. GREEN. It has the control of the purchases. It will not give the grants to any institution that will not make the changes that they decide should be made. That is a pretty powerful force it seems to me. How would you get a stronger force than that?

Mr. STEIGER. We certainly don't want to hold you up. [Laughter.]

Mrs. GREEN. Your concern touches me.

Mr. STEIGER (presiding). Let me go to one question that, Dick, you would, I hope, have available.

Can you give us any idea as to what can be anticipated in terms of the State support for private institutions?

Dr. MILLARD. I can get that information for you, and I can give you an inaccurate summary at this point. As a matter of fact, I have the pack in the hotel room.

At the present time, if I remember correctly, 21 States have or have had legislation of this sort under consideration. Some of them have adjourned, and we have not gotten the final follow up on them yet.

At the present time, there are a number of States that already have programs of aid of some sort, New York obviously, Connecticut, Wisconsin. South Carolina has one on the books that was not funded, and it was only minimally funded last year until then it could be tested. They are recommending fuller appropriations for it at the present time.

Illinois, indirectly, does this through the administration of some aspects of its student aid program has worked heavily in this direction.

It has varied all the way from the Bundy type arrangement in New York to a rather complicated formula in Connecticut that relates to the cost of education in public institutions and the number of resident students.

Massachusetts conducted a study 2 years ago recommending a somewhat similar formula, again based on levels of support of public institutions. It was not the full amount, but a percentage thereof, and Massachusetts has one of the strongest antiaid sections in its constitution of any State in the country. But the legislature, and I have not heard what happened this year, the legislature meeting in constitutional convention took the first two steps to amend the constitution to make this possible.

The four major issues before the State legislators in higher education this year, are, first of all, of course, financing higher education, and probably close to second is the one of what to do about the situation of private institutions.

A third is, interestingly enough, student aid on the State level. At the moment I can't remember what the fourth one was.

Mr. DUNGAN. I am sorry, I can't either.

Mr. STEIGER. When you say student aid, you are talking about extending State programs in student aid?

Dr. MILLARD. Yes; North Carolina has introduced legislation which, if passed, and there is a fairly good indication that it will be, will have one of the most progressive State student-aid programs in the country.

Mr. DUNGAN. May I interject here, Mr. Chairman?

It happens to be that the States that have the greatest concentration of private institutions is where one would expect the demand to be strongest, that is, in the Northeast. They are also States that happen to be, we think, closest to the wall in terms of State fiscal problems.

So I, while there is lots of movement here, we have—pardon?

Dr. MILLARD. They are also the wealthiest States in per capita income.

Mr. DUNGAN. Yes, but they have other demands in metropolitan areas.

The thing to watch and I am not saying I am for it, and it relates to the whole question of institutional aid that we have been talking about, is the increasing tendency to full cost tuition, and it is an alternate to institutional aid, private or any other institutions, and then aid to the student.

There are many things to be said in favor of that, although many people, including my good friend Fred Harrington and others, are very strongly opposed to that.

The marketplace in education as well as elsewhere is not a bad way to allocate resources, I think. With limitations. I speak as a liberal Democrat here, and one who is more or less stuck with that particular philosophy, but I increasingly find that the bureaucratic mechanism is not always the most socially desirable instrument for the allocation of resources.

So I don't think anybody at this stage in the game, and I say this without prejudice to any particular point of view, knows enough yet to know what is the wisest course for us to take.

Mr. Steiger. Have you looked at the Wisconsin plan?

Mr. Dungan. Yes, I have.

Dr. Millard. Let me go ahead with what I started to say.

Mr. Steiger. Let me interject before you go ahead that if I had my preference, that is the way I would choose.

Dr. Millard. I think the question of aid to private institutions and statewide planning and aid to students are integrally related.

Where aid to private institutions is being considered, one of the major arguments that is being used is the question of the availability of places in the private sector rather than the additional expenses in the public sector. But all these fit together, and that is why the whole question of planning becomes so basically important at this point.

Mr. Dungan. Congressman, may I again make a plea here, the question of the utilization, the efficient utilization of resources, whether they are private or public, is absolutely key if one has a sense of the needs of other sectors of the population.

In my State, for instance, while I am a proponent of the higher education sector, that is my job—I cannot in good conscience say more for higher education, at a time when health needs or the needs of the elementary schools are being neglected for a lack of enough resources to serve all the public needs that are to be served, mass transportation and everything else.

So I think most of us in higher education have a very serious obligation to take a look at our responsibility in a broader social context and the name of the game as far as higher education officers is to make darn sure that the public is satisfied that the resources that are made available are being used efficiently. We need to explore new and better ways to provide educational services of a wide spectrum, not the traditional ones only, but the whole spectrum, and to that we are dedicated. As I said earlier we do it with varying degrees of effectiveness, but we are dedicated to it, and we hope that the Federal Government is going to be supportive of the efforts we are trying to make.

Mr. Millard. And for the other clearly defined purposes. I think that has to be added as well.

Mr. Steiger. I am going to ask that the analysis of State aid to private institutions be made a part of the record at this point, and I don't think anybody will object.

(The document referred to follows:)

SUPPORT OF INSTITUTIONS

State	Capital construction assistance		Direct grants			Contractual arrangements educational services and/or student places
	Financing authority	Matched fund grants	Unrestricted to individual schools	Subsidy for specified programs	Per earned degree	
Alabama			X			X
Alaska						X
Connecticut	X					X
Florida				X		
Illinois	X	[1] X				
Maryland		X				
Massachusetts	X					
Michigan	X				[2] X	
New Hampshire	X					
New Jersey	X			X		
New York	X	[3] X		X	X	X
North Carolina				X		
Ohio	X		X			
Pennsylvania	X		X			
South Carolina	X					X
Vermont	X					
Wisconsin			X			

[1] Health services.
[2] Dental.
[3] Medical.

Note: "A Limited Study of the Status of State Support of Private Higher Education," Louise Abrahams and Leigh Schweppe, Academy for Educational Development, Inc., Washington, D.C., 1970.

TABLE II.—*State contractual arrangements through regional agencies for out-of-Stat student places and/or student aid, Fiscal Year 1969-70*

States by regional agency	*Amount to private institutions*
Southern Region Educational Board:	
Florida	$275, 800
Alabama	129, 674
Louisiana	68, 600
North Carolina	68, 000
Tennessee	60, 200
Mississippi	56, 000
Georgia	52, 600
Virginia	47, 650
Maryland	31, 900
Texas	24, 850
Arkansas	14, 400
South Carolina	9, 000
Kentucky	5, 750
Western Interstate Commission for Higher Education:	
Arizona	108, 000
Nevada	47, 401
Idaho	40, 934
Hawaii	39, 600
Montana	38, 400
Colorado	26, 400
Wyoming	17, 400
Alaska	11, 800
Oregon	8, 668
New Mexico	7, 200
Utah	2, 400
New England Board of Higher Education: Maine	25, 000

NOTE: *A Limited Study of the Status of State Support of Private Higher Education*, Louise Abrahams and Leigh Schweppe, Academy for Educational Development, Inc., Washington, D.C., 1970.

TABLE III.—SUPPORT OF STUDENTS, FISCAL YEAR 1969–70

State	Scholarships			Grants		Loans	
	Competitive ability and need	Special status	Critical area service	Incentive grants-in-aid ability and/or need; disadvantaged	Tuition equalization	Service cancelable scholarship loans	Direct loans
Alabama			X				
Alaska	X				X	X	
California	X		X	X			
Connecticut	X	X	X	X			
Delaware [1]	X						
Florida	X	X				X	X
Georgia			X			X	
Illinois	X			X			
Indiana	X						
Iowa	X				X	X	
Kansas	X						
Kentucky [2]	X	X					
Louisiana	X						
Maryland	X			X [3]			
Massachusetts	X		X				
Michigan	X				X		
Minnesota	X	X	X	X			
New Hampshire [2]	X						
New Jersey	X			X	X		
New York	X	X	X	X			
North Carolina		X	X			X	
Ohio				X			
Oregon	X				X		
Pennsylvania	X			X			
Rhode Island	X	X	X				
South Carolina					X		
South Dakota		X					
Tennessee						X	
Texas							X
Vermont	X			X			X
Virginia			X				
Washington				X			
West Virginia	X						
Wisconsin	X	X	X	[4] X	X		

[1] Out of state only.

[2] No appropriation.

[3] War orphans.

[4] Special programs.

Note: "A Limited Study of the Status of State Support of Private Higher Education," Louise Abrahams and Leigh Schweppe, Academy for Educational Development, Inc., Washington, D.C. 1970.

TABLE IV.—MAJOR STATE APPROPRIATIONS FOR COMPREHENSIVE SCHOLARSHIP AND GRANT PROGRAMS, 1969–70

State	Scholarships and grants		Scholarships only		Grants only	
	Total	Amount to private institutions (approximately)	Total	Amount to private institutions (approximately)	Total	Amount to private institutions (approximately)
New York	$65, 900, 000	$42, 713, 000	$28, 800, 000	$17, 856, 000	$37, 100, 000	$24, 857, 000
Pennsylvania	52, 369, 000	27, 120, 000	51, 400, 000	26, 728, 000	969, 000	392, 000
Illinois	26, 180, 000	20, 272, 000	10, 380, 000	8, 205, 000	15, 800, 000	12, 067, 000
California	14, 850, 000	12, 702, 500	13, 850, 000	11, 772, 500	1, 000, 000	930, 000
Michigan	12, 500, 000	7, 755, 000	7, 300, 000	2, 555, 000	5, 200, 000	5, 200, 000
New Jersey	11, 850, 000	6, 966, 000	6, 900, 000	2, 415, 000	4, 950, 000	2, 587, 000
Ohio [1]	8, 500, 000	6, 000, 000			8, 500, 000	6, 000, 000
Indiana	3, 080, 000	1, 607, 760	3, 080, 000	1, 607, 760		
Maryland	3, 008. 615	1, 203, 444	3, 008, 615	1, 203, 444		
Wisconsin	2, 950, 000	2, 260, 000	750, 000	60, 000	2, 200, 000	2, 200, 000
Massachusetts	2, 000, 000	1, 500, 000	2, 000, 000	1, 500, 000		
Iowa	1, 762, 500	1, 618, 125	262, 500	131, 250	1, 500, 000	1, 500, 000
Connecticut	1, 067, 500	+650, 000	877, 500	650, 000	190, 000	(2)
Oregon	815, 400	703, 510	167, 000	55, 110	648, 400	648, 400
Minnesota	775, 000	475, 525	575, 000	385, 525	200, 000	90, 000

[1] Ohio appropriations are for 1970–71 fiscal year.

[2] Not available.

Note: A Limited Study of the Status of State Support of Private Higher Education, "Louise Abrahams and Leigh Schweppe, Academy for Educational Development, Inc., Washington, D.C., 1970.

STATES WHERE LEGISLATION HAS BEEN PROPOSED DURING THE 1971 SESSIONS PROVIDING AID TO PRIVATE HIGHER EDUCATION

State and type of aid	Amount requested
1. Alaska:	
(a) Creation of a board to advise on provisions of grants and loans to Alaskans for advanced degree of work in public or private institutions.	None.
(b) Continuation of program to provide payment to private institutions in support of scholarship grants and loans.	$950,000.
2. Connecticut:	
(a) Connecticut Conference of Independent Colleges—flat grants for each State resident enrolled in private schools.	$1,000 per student.
(b) Repeal of the 1969 legislation allowing the CCHE to contract with private institutions for student spaces.	None.
(c) Provision for State payment in lieu of taxes for tax-exempt private institutions' property under certain circumstances.	Do.
(d) Aid to resident students attending private institutions of whichever is the lesser, $750 or ½ of the tuition of the full-time student and $15 a credit point to the part-time student.	
In addition, the CCHE will develop its own program and recommendations after receipt of a report from an independent consulting firm.	None, as yet.
3. Florida:	
(a) State educational assistance grants of up to $1,200 per year to undergraduate students to attend a private college or university in Flordia.	$3,500,000.
4. Illinois:	
(a) Nonpublic health-related programs	$15,739 for fiscal year 1972.
(b) Assistance to private educational institutions in Illinois—$400 to a private college for each recipient enrolled; and $2,000,000 for cooperative programs between private and public campuses and among privates.	$11,300,000.
5. Indiana:	
(a) Increasing State scholarships for students in private higher education	Increase of $800 to $1,200.
(b) Numerous bills have or will be introduced to assist the private institutions, including several requesting direct aid to private colleges.	
6. Iowa:	
(a) Governor's educational budget recommendations of tuition grants for private colleges.	$8,000,000.
7. Maine:	
(a) Educational grant funds to aid the students in the private institutions	$3,000,000.
8. Maryland:	
(a) Aid to private colleges and universities within the State on an equitable formula basis per degrees conferred.	$1,915,000.
9. Minnesota:	
(a) Amend the State constitution to allow State aid to private schools	
(b) Provisions of authority to the HECC to contract with private colleges: $500 to 4-year schools or $400 to 2-year schools for each full-time State resident in addition to those enrolled fall, 1970. Program will also pay a like amount for each grant-in-aid recipient regardless of the number enrolled in 1970.	$2,700,000.
(c) Establishment of a State higher education facilities agency authorized to issue bonds to private colleges for the construction of physical facilities.	
10. Missouri:	
(a) To enable the State to contract with private medical and osteopathic schools for the training of State residents.	None.
(b) Financial assistance to State residents attending public and private institutions based on financial need. Amount not to exceed 70 percent of the average amount appropriated per student from State funds for State institutions; allows, of amount appropriated, a minimum of 90 percent (and up to 94 percent) to be reserved for private institutions and a minimum of 6 percent (and up to 10 percent) may be granted to students attending either public or private.	Do.
11. New Mexico:	
(a) Provision of a mechanism for creating locally supported 4-year college districts—designed to rescue a private college from financial dissolution.	Do.
12. New York:	
(a) Revision of the formula granting State aid to nonpublic colleges by increasing the aid for bachelor's and master's degrees.	$800 per degree
13. North Carolina:	
(a) Legislature will consider various ways to assist in alleviating the financial plight of the State's 41 private institutions.	None.
14. North Dakota:	
(a) Provision of income tax credits for private colleges	
(b) Provision of aid to private college students	None.
15. South Carolina:	
(a) 1970 act providing grants to State residents electing to attend nonpublic South Carolina institutions. The amount of each grant cannot exceed required tuition and fees and is to be determined by the needs of each student. The CHE, presuming a favorable decision on constitutionality, recommends funding for fiscal year 1971.	
(b) Amendment of the act to allow that CHE administer the program, and	
(c) That removal of restrictions against indirect aid to nonpublic colleges and universities be endorsed.	
16. South Dakota:	
(a) Appropriation for tuition grants for full-time resident students attending accredited private institutions of higher education in the State.	None.
17. Tennessee:	
(a) State scholarship program to assist resident students attending Tennessee public or private colleges.	$5,050,000.

STATES WHERE LEGISLATION HAS BEEN PROPOSED DURING THE 1971 SESSIONS PROVIDING AID TO PRIVATE HIGHER EDUCATION—Continued

State and type of aid	Amount requested
18. Texas:	
(a) Texas Association of Private Colleges proposes that the State should purchase degrees, provide tuition equalization grants, or provide for other forms by which the State can contract for services.	
(b) The Coordination Board recommends the authorization for its contracting with private colleges to help accommodate students.	
(c) The Coordinating Board also recommends cost-equalization grants to needy Texas students who attend private institutions.	
(d) Declares public policy of State to financially assist all Texas residents enrolled in private colleges. Eligible institutions submit every resident students application to comptroller. Each resident student receives $20 per semester-hour up to a maximum of $300 per semester.	
(e) Vests Coordinating Board with authority to contract with Texas College of Osteopathic Medicine for education of Texas resident undergraduate medical students as Doctors of Osteopathic Medicine. Amount of funds per student to be equal to average annual State support per student at established public medical schools.	
19. Washington:	
(a) Tuition supplement for resident students to provide money to private institutions to allow tuition increases.	$100 per student.
(b) To enable the CHE to contract with private institutions for educational programs conducted for the benefit of the State's citizens.	
(c) Contracts with private institutions for a law degree program	
(d) Authorizes the CHE to contract with private schools of nursing	
20. Wisconsin:	
(a) Establishment of a tuition voucher system for provision by the State of a basic grant to all qualified resident students to be applied to the full cost of tuition at public or private colleges, with supplemental grants available to those who demonstrate financial need.	
(b) Following a ruling upholding the constitutionality, further provision to Medical College of Wisconsin, formerly the private Marquette University Medical School, to increase entering medical students.	$7,400,000.
Final legislative disposition not yet reported	

Mr. STEIGER. I want on behalf of the subcommittee to thank both of you. I think it has been exceptionally good this morning.

We will now recess until 2 o'clock.

(Whereupon, at 12:30 p.m. the subcommittee adjourned, to reconvene at 2 p.m.)

AFTER RECESS

(The subcommittee reconvened at 2:40 p.m., Hon. Edith M. Green, chairman of the subcommittee, presiding.)

Mrs. GREEN. The subcommittee will come to order for the further consideration of higher education legislation. Our first witness this afternoon is Mr. Richard Abel, from Portland, Oreg., who is accompanied by Mr. Don Chvatal. I am especially glad to welcome both of you to the committee session. For the benefit of my colleagues, Mr. Abel has been in the business of gathering books and cataloging them for a long period of time.

I know of no one who is a greater expert in this area than he.

STATEMENT OF RICHARD ABEL, PORTLAND, OREG., ACCOMPANIED BY DON CHVATAL

Mr. ABEL. Thank you.

Mrs. GREEN. Proceed as you wish, Mr. Abel.

Mr. ABEL. My name is Richard Abel, of Portland, Oreg., and I am president of Richard Abel & Co., a firm dealing in scholarly books of interest to the academic and research library community.

We also provide technical services to our library customers—cataloging, bibliographic materials, book processing, out-of-print searches, facsimile reproduction and turnkey libraries, for new institutions.

In our capacity as a book dealer, we handle publications from all over the world, making every attempt to secure any publication requested by the customer. Our object is to get scholarly materials into the hands of educators, researchers, and students in the most efficient and most economical manner.

I am accompanied by Dr. Don Chvatal, an executive of the firm, who is responsible for those college library services most closely related to the title II programs. He is a professional librarian and is prepared to respond to any specific questions you may have concerning our automatic book acquisition program and computer processed cataloging services.

The establishment of the title II college library programs in the Higher Education Act of 1965 was a dramatic and greatly needed advance for the library segment of the academic community.

It came at a time when the so-called information explosion was taxing the capabilities of these libraries to meet the demands that were being placed upon them. All the problems have not been solved by any means.

The crisis is still upon us, and is growing every day. But without the stimulus of title II programs and the direction afforded by this subcomittee in 1965 we would be much worse off, I can assure you.

I would like, in the time allotted me, to give you an outsider's view of the operation of title II programs. I am not a librarian by profession, but I have spent all of my adult life in the business of acquiring scholarly materials and providing them to libraries.

In our early years in the book business we concentrated on overcoming those traditional commercial practices in the book trade that create an unnecessary time lag between the ordering of a book and its delivery to the library customer.

In other words, when a librarian submits an order for a domestic or foreign book, newly published or out of print, our objective is to make that publication available as soon as possible. It became apparent, however, that delivery time to the library is only one of the impediments to a satisfactory dissemination system.

There are other functions, normally beyond control of the dealer, involving enormous duplication of effort among libraries, causing delay in making materials available to patrons, and contributing to increased clerical costs within each library.

The result is that a smaller proportion of budgeted funds is being utilized for the direct acquisition of books and other publications.

The first of these impediments is the search and ordering process that each library traditionally goes through to determine which books are suitable to its collection and then to initiate and process those orders.

We devised a system whereby each library's collection requirements and the professional judgment of the librarian on acquisitions policy is established by an exhaustive profile.

These parameters are then programed into our computer. Each newly published work is then matched against the profile to determine if it falls within the library's needs. If so, the book is shipped automatically, subject to return if unwanted, or a notification form is submitted advising the librarian of the new publication.

The system is designed to get the books or notification forms into the hands of the librarian before new titles appear in published catalogs, trade bibliographies, and other traditional review media.

We perform the search and ordering function for about 500 academic library customers simultaneously, relieving them, to one degree or another, of the tedious and costly requirement to search all publisher sources for scholarly material produced throughout the world.

Some of our customers have conducted surveys of the internal cost savings resulting from participation in our approval program and the results are significant. The conclusion is that a larger share of library budgets can be devoted to the acquisition of new materials of value to the collection.

The second major element limiting librarians in their attempts to get materials into immediate circulation is the time consuming and tedious clerical work involved in creating a catalog record or in duplicating a record from another source, usually the Library of Congress.

The entire process of automatic ordering and fast delivery is frustrated if the new books are piled into a storeroom somewhere awaiting cataloging and processing—a procedure that sometimes takes several weeks, or months, or even years.

Therefore, we devised a system of producing catalog cards by computer and furnishing them automatically when requested to do so by the library customer.

We are now providing these catalog cards to over 300 libraries. As a further extension of this service, we are preparing processing kits consisting of spine labels, book pockets, and a circulation system which leaves all of the library's technical processing to us.

Another area where our service is related to the objectives outlined in title II is that of foreign acquisitions of materials of importance to the U.S. academic community. We maintain five foreign officers for this function, utilizing direct air freight and other techniques to speed delivery of the materials to our customers.

In the interest of time, I have greatly oversimplified the various systems we have devised to overcome these problems. The development of computer applications to the complex decision processes of book selection and cataloging cost our company in excess of $1 million and we are constantly in the process of updating and improving the systems to make them more responsive to customer's needs.

I have tried to keep my description of these services as brief as possible, but it is necessary to touch on them in order that I might better convey to you how title II programs relate to the library profession through the eyes of the supplier of goods and services.

Electronic data processing is a fantastic tool for coping with the large volume of useful and often vital material being published throughout the world. For this reason it has great appeal to everyone in the information sciences.

There are dangers, however, that the proliferation of incompatible systems will result in even greater confusion to thwart the effective interchange of information and services.

Under section 224, authorizing the Commissioner of Education to make Federal grants to individual institutions for research and demonstration projects, there is the inherent certainty that each resulting system will differ from others that are operational or are in the development stage.

While each system may be designed to perform essentially the same functions internally, they are most likely incompatible with respect to the external applications so vital to a truly effective national library information system.

I am sure you recognize that there are risks involved for my company in making such a statement. We have a proprietary interest in an acquisitions and delivery system and in a cataloging system that cost us a great deal in capital investment, and since we believe the proliferation of many incompatible systems is counterproductive and a degree of standardization is desirable, we run the risks of having to revise our system to conform to that adopted by the majority of the academic library world.

That is a risk that we are willing to take. We wish, however, that Government personnal involved in making grants for research and development under title II would examine existing systems to determine first if there really is a need to reinvent the wheel, and second, to maintain as much standardization as possible in the evolution of new systems.

Naturally we would like to see an element of competition retained. In the production of computer printed catalog cards, for example, economies are realized only with high volume.

The initial keypunching for the creation of a basic catalog card set is the same whether you are producing cards for five libraries or 500.

The reason we can produce a set to sell for 60 cents is that we can anticipate repeat sales to many customers. This element of economy is not possible in a closed system. We can adapt our system, within certain limits, to conform to the individual requirements of library customers, as they do not all follow the pattern of Library of Congress depository cards or the MARC tape program.

We do this for our academic and industrial library customers.

We recently have contracted with the National Agricultural Library at Beltsville to input catalog information in machine readable form for those books furnished them through our approval program.

We are negotiating with other government libraries to provide such input on both domestic and foreign publications. But each requires some modification in programing to achieve similar or identical records. This problem can be minimized in the academic community through better coordination in the administration of Federal grants for library systems.

We believe this objective can best be achieved by continuing the specific library grant approach adopted by this committee in 1965.

A change to a university block grant approach could have two adverse effects: (1) We feel that libraries would suffer from the diversion of funds to other programs for which there may appear to be a more urgent need at the moment, and (2) we feel that the needed coordination in the development of automated library systems would be more difficult if not impossible, to achieve.

I would like to conclude with a reference to the shared cataloging and foreign acquisitions program authorized by part C of title II of the Higher Education Act. We are a user of the shared cataloging service. We utilize it in two ways: First, as a check against our own worldwide book acquisition program, and second, as input into our computer produced catalog card service.

Consistent with the objective I stated earlier with respect to standardization of systems, we follow Library of Congress cataloging practices and use their records whenever possible for the cards we provide our customers.

Normally, when we provide a book to a college library, we are instructed to supply catalog cards when the record becomes available from the Library of Congress—either by way of title II cards, proof slips, or MARC tape.

When significant time has elapsed after the book has been shipped and a record for that title has not been produced by the Library of Congress, we then advise the customer, and they either have to create their own record or have us do it for them.

We employ professional catalogers for that purpose. In the case of certain customers we are required by contract to furnish a catalog record within a specified number of days after shipment of the book.

In the case of research libraries, particularly, this time interval is sometimes quite short because they want new material on the shelves as soon as possible.

Therefore, any development that will enable the Library of Congress to acquire the materials and process the catalog records in the fastest possible way will enhance the utility of part C programs for all users.

Again, I want to express my appreciation for your invitation to appear today. We will be pleased to answer any questions you may have concerning our experiences with college libraries who are benefiting from title II programs.

Mrs. Green. Thank you very much, Mr. Abel. On page 9, you talk about significant time has elapsed after the book has been shipped. What is the time lapse between the acquisition of the book and the cataloging by the Library of Congress?

Mr. Abel. I can only really speak in averages and about particular types of books. First of all, with respect to domestic books in the English language, we find that within about a month's time after the book has appeared, about 40 percent of the cataloging is available and it takes something on the order of 6 months before 75 to 80 percent of the cataloging is available. And at no time have we ever found that 100 percent of the cataloging was available.

Turning now to the matter of foreign books, which are the kinds of books recognized under the title II act, we find that it takes about 6 months before a third of the books we have handled on approval have been cataloged.

It takes something on the order of a year to a year and a half before we have something approaching 75 to 80 percent, and of course the number of books that are never cataloged is significantly higher than is the case with U.S. material.

Mrs. Green. What happens to the other 20 or 25 percent?

They never get cataloged by the Library of Congress?

Mr. Abel. They just simply don't get cataloged; no.

Mrs. Green. How effective is the Library of Congress in acquiring the foreign material that is of interest to the academic community? Would you have any additional comments on that?

Mr. Abel. First of all, the Library of Congress itself has developed a set of records to show how effectively they are doing this job. These records are based upon the cataloging requests being received in the Library of Congress from various academic libraries around the United States.

Their finding is that they do not have on order something over 20 percent of the books that libraries in the United States have bought and for which they wish cataloging.

We have some experience internally——

Mrs. Green. That is the 21.2 figure there?

Mr. Abel. Right, at the bottom of the page "To be ordered." Now we have some evidence of our own that we have generated internally. As you know, we are supplying foreign language material automatically to a number of academic research libraries.

We are also asked by these libraries to distribute Library of Congress cataloging to them.

So we are constantly policing the cataloging input that we are getting from the Library of Congress. In 1969, of the approximately 50,000 books that we put on our approval program, English language material as well as foreign language material—we at the end of March of this year had still not received cataloging for some 9,000 books.

Of that 9,000 books, approximately 6,000 of them are foreign language titles. So nearly a year and a half after the end of 1969, we have still not received cataloging on those books.

We have tried, over the years, to assist the Library of Congress to correct these deficits. Several years ago, we would wait for 9 weeks after we had sent a book out to our libraries. If we had not received cataloging from the Library of Congress in that period of time, we would send a copy of the book which they would use to catalog from.

They asked us to discontinue that program. Just very recently we sent to the Library of Congress examples of the books—of the cataloging—that we needed for these 9,000 books. In 1970, we again put about 50,000 books on the approval program, we know, therefore, that they are out there in the libraries, and libraries do need the cataloging.

This is not just looking at some booklet and saying, wouldn't it be nice to have cataloging?

As of the end of March, something over 13,000 of those books were not yet cataloged. We had not yet received cataloging for them.

On the basis of these figures, therefore, we can only conclude that the Library of Congress, is, one, not collecting in that kind of a comprehensive fashion which Congress expected it to do under this act, and, second, that there are some very significant timelags in cataloging those books which they do get.

Mrs. Green. What does the individual university or college library do as a result of the fact that there is such a large number that are never cataloged?

Mr. ABEL. Most university libraries feel that they can only hold on to a book in their bookrooms for about 6 months before they must get it out to their patrons.

If we have not provided cataloging and the Library of Congress has not provided cataloging in that period of time, they will catalog the books themselves, utilizing their own cataloging staff.

Or else they will ask us to catalog the book for them. But you may recall the testimony before this subcommittee at the time the title II program was first launched.

One of the principal arguments made by the academic library community was that they could save a considerable amount of money internally across the country at large by having this service available.

So we have not been able to note a marked reduction in the number of catalogers employed in the libraries with whom we have worked because not enough material is being cataloged in a sufficiently timely fashion.

Mrs. GREEN. Do you have estimates of what it is costing? I was under the impression that a good many millions of dollars were saved.

Mr. ABEL. There is no question that the title II programs have very markedly assisted the academic libraries around the country, and I am not being critical of that at all.

There is no question that the title II program is an important program. What I am essentially saying is that as yet, in 1971, that program is not as effective as it must be for all of us who depend on the Library of Congress.

Mrs. GREEN. Can you put your finger on the reasons why it is not effective? Why do you think the Library of Congress is not able to do this job of cataloging and getting it out on time?

Mr. ABEL. Looking first of all at the book acquisitions, which, of course, lies at the base of it—if you don't have the book you can't catalog it. I believe they are using inefficient acquisition methods.

As I understand their internal procedures, they are working essentially from the so-called national bibliographies. So, in Germany for instance, they are working from the Deutsche Bibliographie and that is published after the books have come into print, and the dealer marks up the Deutsche Bibliographie saying what books are going to be sent in.

Unfortunately not only is that Deutsche Bibliographie late but it is not inclusive of the publications being printed in the German language.

The same could be said of the Bibliographie de la France, which covers French publishing.

Internally, in the matter of cataloging, after they have the books in, there are, of course, enormous problems in the cataloging. There are problems of getting subject specialists, problems of getting language specialists and so on and so forth.

But they just can't seem quite to get organized to the point that this material comes in and is quickly cataloged and is made quickly and readily available.

Mrs. Green. My recollection was that they spent less than $500,000 for acquisitions of books out of the $6 million appropriation.

Mr. Abel. For the impact programs, from what I know of it, that would seem to me to be a reasonable amount of money spent for the books.

Mrs. Green. If the Congress were to vote more money, would that bring about the prompter acquisition and cataloging?

Mr. Abel. I think it would do nothing about speeding up the acquisitions processes. So in terms of getting the books in in the first place, achieving that kind of coverage, a comprehensive coverage I don't believe that money would be terribly useful there.

I have no real way, however, of adequately answering your question about cataloging in as much as that is so much an internal function of the Library of Congress, and I know not all that much about it.

I can only make certain deductions. But as nearly as we can see the Library of Congress spent something on the order of $3.6 million for cataloging approximately 100,000 titles.

I have sort of deduced this from other sources. This is not firm information. If these figures are approximately correct, it is costing the Library of Congress in the area of $36.50 per title.

Mrs. Green. What should it cost?

Mr. Abel. We are charging the Atomic Energy Commission $7.50 a book to catalog and under the contract we are obliged to furnish our own original cataloging.

Mrs. Green. If my information is correct on less than $500,000 for acquisition, and over $3 million for cataloging—was the appropriation $6 million?

Mr. Abel. $6.2 million.

Mrs. Green. Where is the rest of the money?

Mr. Abel. I can't tell you. I don't know. This may be in internal salaries, it may be in the maintenance of oversea offices, then it may be in oversea travel, and so on. I don't know.

Mrs. Green. How many oversea offices do you maintain?

Mr. Abel. Five.

Mrs. Green. Well, where are those?

Mr. Abel. London, England; Amsterdam, Netherlands; Berne, Switzerland; Toronto, Canada, and Sidney, Australia. Our Amsterdam office was put in place essentially to acquire material from Western Europe and East Germany and Poland.

This was done because the man that we had in our Berne office—our Berne office was put in place to acquire slavic materials from Russia and East Europe—was a refugee from East Germany and, therefore, could not travel into East Germany and Poland and as a consequence we placed acquisitions responsibility for the books in those two countries with the Amsterdam office.

The London office is obviously in place to acquire material from the United Kingdom, the Sidney office to acquire material from Austraila, Asia.

Mrs. GREEN. Looking again at this chart from the Library of Congress, what do you think a reasonable backlog would be instead of the 21.2 percent?

Mr. ABEL. That 21.2 percent, first of all, you will notice, is cataloging required for books that libraries in the United States already have, but that the Library of Congress does not have on order.

In other words, they have placed an order for this material when a library has said, "We have this book, and we want cataloging."

Mrs. GREEN. I see.

Mr. ABEL. This demonstrates the failure to comprehensively acquire this oversea material. Looking back at the other—I think the other categories are more interesting in this regard.

The received titles, titles received, down at the bottom you see 40 percent. Along the top——

Mrs. GREEN. What does the 40 percent indicate?

Mr. ABEL. That says that with 40 percent of the requests for cataloging received by the Library of Congress from libraries around the country, their reply to the library was, "We do not have cataloging ready yet. We have received the book, it is in process, and you will be receiving cataloging in due time."

Now that represents the cataloging backlog at the Library of Congress. Just to explicate here a little further, under the order column, that 17.6 percent says that libraries in the United States have asked the Library of Congress for cataloging and the Library of Congress has replied in 17.6 percent of the cases, "We don't have the book. We have the book on order. As soon as the book has been received by us and has been cataloged by us, you will be receiving cataloging."

These two figures, the 40.3 and the 17.6, together represent the lack of timeliness in acquiring the material and the lack of timeliness in cataloging the material.

Mrs. GREEN. So that would really be—am I reading it correctly—there would be 57 percent where there might be a delay of 6 months, a year, or a year and a half?

Mr. ABEL. That is correct, but you would have to add to that 57 percent the 21 percent over here that the Library of Congress ordered as a result of being—shall we go through the whole thing again?

Mrs. GREEN. Let's do.

Mr. ABEL. OK.

Mrs. GREEN. Forty percent is the backlog.

Mr. ABEL. Well, 40 percent of the books they had in their hands, but had not yet cataloged. For every hundred requests for cataloging received from the Library of Congress in the United States they had 20.9 already cataloged.

That is under the printed cards. So they, let us say, that you are a library, and you send in 100 requests. They would reply to you that 20.9 have cards available, and here are the records.

They would reply to you, "40.3 percent of your requests, we have received the book, but it is not yet cataloged. For 17.6 of your books, they would say, "we have the books on order, but we have not yet received them," and they would say, "21.2 perent of the books you asked for cataloging on we don't even have on order, but we are placing them on order as the result of your request for cataloging."

Mrs. GREEN. It seems to me like an awfully small percentage in terms of the job we had hoped title II would do.

Mr. ABEL. I would assume that this committee would in fact expect to see something approximating 100 percent over in that first column "printed cards." The objective was comprehensive coverage of foreign material, everything that was necessary to the academic community and the research community in this country, to be brought in here and to be promptly cataloged.

Mrs. GREEN. Congressman Steiger, do you have any questions?

Mr. STEIGER. No, Madame Chairman. Congressman Dellenback asked to be remembered to you, and he is sorry he was not able to be here today.

I do have one question. You talked about the concept of the block grant to the university.

Mr. ABEL. Yes.

Mr. STEIGER. Are you referring specifically to the division of the administration's bill on title II?

Mr. ABEL. Right, where they are suggesting, as you know, that an amount of money be given to a college or university for the college or university to spend essentially at its own discretion.

Mr. STEIGER. In what way beyond the two reasons that you have given, if any, do you think that this poses a problem?

Are these two reasons the only ones?

Mr. ABEL. Looking narrowly at the library on the campus, and I don't think it is within our competence to make a judgment about the larger question, but looking at this question of block grants from the point of view of the library, these are the two principal concerns.

First of all, as you know, libraries tend, unfortunately, to be very low on the totem pole when the academic budget pie is cut, and we have repeatedly seen the library starved for funds when it simply should not be, when there should be some minimum maintenance of the library function.

Even if not for academic reasons, for purely economic reasons, because if they don't have the material today that they need, they are going to acquire it out of print, when it is much more expensive, at some time in the future when they do have the funds available.

So it is not only academically unsound, it is economically unsound but it is a common practice.

Secondly, there is a very acute need to do something about standardizing information practices on the machine in this country. The Office of Education, the National Science Foundation and so on have been making a number of grants over the years.

Library after library are trying to put up a system, and each one of these practically has been brought up without regard to any kind of national standards for information transfers and so on.

We feel that this problem will become only more acute if the libraries put together willy nilly anything that suited their particular convenience without looking to the larger informational responsibility they have for the entire country.

Mr. STEIGER. You make a good point.

Mr. CHVATAL. Could I make a point?

Mr. STEIGER. Yes.

Mr. CHVATAL. As a general rule, a library gets about 5 percent of the university's total budget. This figure has stayed about the same over the last 10 years.

Now in the face of this, in the face of the rising costs for materials, we have seen inflationary costs add about 10 percent a year to the cost of acquiring material.

At the same time, we have seen the amount of printed material available growing by leaps and bounds. That would seem to say that by and large the university library today purchases fewer books than it did, say 5 or 10 years ago.

Mr. STEIGER. Thank you.

Mrs. GREEN. Do you supply catalog cards to universities and colleges?

Mr. ABEL. Yes, we do.

Mrs. GREEN. What do you charge them if they ask you to supply the cataloging?

Mr. ABEL. Where we are generating the cataloging, we charge something on the order of about $3.50. For a set such as this, you see here, we charge 60 cents.

This is a set of catalog cards essentially ready to file, but where the Library of Congress has generated the cataloging. Where LC has not done so, we charge $3.50 because we have $7.50 of cataloging cost that we have to recover in addition to our input costs and our data manipulation costs.

Mrs. GREEN. That covers the full cost then?

Mr. ABEL. We expect to get two or three hits on any particular title from the 300 libraries that we are working with.

Mrs. GREEN. How many other companies are there that are similar to yours, where they are acquiring books all over the world and cataloging them and sending them out to research libraries, et cetera?

Mr. ABEL. Well, there is no other company in the United States that is working with the totality of the world's published work.

There are two other major firms in the country working essentially with domestic material, because they work essentially with public and school libraries, who are also providing books and cataloging, and they depend, as we depend, on the Library of Congress for the bulk of their cataloging.

Mrs. **Green**. The Library of Congress does not have any competitive bidding for acquisition of books. Would you comment on whether or not you think it is desirable to do this on a competitive bid basis?

Mr. **Abel**. I think it would be very, very unwise for the Library of Congress to be compelled to buy books on a bid basis. What usually happens is that the purchasing agents look narrowly at the price of materials only, to try to get the best possible price for the materials.

They do not look at the total purchasing act, the total objective of buying in the first place. And this, by the way, can be documented time and time again in this country when the bid system was utilized.

The successful bidder in bidding up the discount that he will give the Library is obviously not in a position to afford the high cost entailed in handling low priced material, paper backs, for example, material in which there is a very short discount or no discount at all to the dealer from the publisher, like a number of societies and associations. He is not in a position to afford the cost of tracking down books published by other than the handful of large commercial publishers in the country.

There is a great deal of exceedingly important material that is published by a man all by himself. He has written the book, he has taken it to some print shop, he has had it printed up, and he has the store of books in the basement or the back room someplace. You have to dig that man out and he is sometimes sort of cranky about the kinds of business practices he wants to follow and so on.

Well you just can't get this kind of material when you start talking about bidding. The Library of Congress is, after all, looking for a thoroughgoing service. They are saying to a dealer, let us say, for French language material, "we want everything that is of scholarly importance published in the French language. We want the cheap stuff, we want the low discount stuff, we want the hard to obtain stuff. Get it to us."

And if you were to go into a bid situation you would in a real sense defeat the objectives of the act itself.

We have experience in this in the State of Texas, for example, where a dealer has bid up the price of the discount enormously and the libraries quite simply can only get the books published by the major commercial publishers. The dealer who holds the contract, one on the basis of price, simply won't furnish this hard to handle material that is uneconomical.

So I think you would defeat the purpose were you to suggest something like that, were you to put into the act a bid system of some kind. Because it would ultimately reduce itself to a question of price.

Mrs. **Green**. I would ask unanimous consent that this graph chart in the Library of Congress be placed in the record at the point at which it is being discussed.

(The document referred to follows:)

LIBRARY OF CONGRESS—NATIONAL PROGRAM FOR ACQUISITIONS AND CATALOGING (NPAC) AVAILABILITY OF LC CARDS
SUMMARY OF NPAC COOPERATING LIBRARIES—CUMULATIVE REPORT JUNE 1966–OCTOBER 1970

[This table is the total of all acquisitions reported to and searched by the Shared Cataloging Division. (Only titles not found by NPAC cooperating libraries in the LC card depository sets are reported)]

Language	Printed cards				Received				Ordered				Availability				To be ordered				Expected total coverage
	Previous months	This month	Total to date	Percent	Previous months	This month	Total to date	Percent	Previous months	This month	Total to date	Percent	Previous months	This month	Total to date	Percent	Previous months	This month	Total to date	Percent	
Bulgarian	83	11	94	13.5	322	25	347	49.9	39	4	43	6.2	444	20	484	69.6	191	20	211	30.4	695
Czech	254	7	261	6.4	990	58	1,048	25.6	199	9	208	5.1	1,443	74	1,517	37.1	2,547	27	2,574	62.9	4,091
Dutch	1,957	21	1,978	23.4	3,022	39	3,061	36.1	1,127	15	1,142	13.5	6,106	75	6,181	73.0	2,284	5	2,289	27.0	8,470
English	40,621	664	41,285	26.0	56,170	893	57,063	35.9	24,434	408	24,842	15.6	121,222	1,965	123,187	77.5	35,194	475	35,669	22.5	158,856
French	21,977	523	22,500	22.8	39,516	508	40.024	40.6	19,396	255	19,651	20.0	80,889	1,286	82,175	83.4	16,208	207	16,415	16.6	98,590
German	22,215	377	22,592	17.7	51,720	504	52,224	41.0	27,807	245	28,052	22.0	101,742	1,126	102,868	80.7	24,518	156	24,674	19.3	127,542
Italian	3,742	40	3,782	18.6	7,397	103	7,500	36.8	3,908	122	4,030	19.8	15,047	265	15,312	75.2	4,945	107	5,052	24.8	20,364
Japanese	76	-------	76	1.9	2,918	51	2,969	73.3	346	--------	346	85	3,340	51	3,391	83.7	661	--------	661	16.3	4,052
Russian	5,011	183	5,194	11.9	23,048	640	23,688	54.1	5,324	135	5,459	12.5	33,383	958	34,341	78.5	9,185	216	9,401	21.5	43,742
Scandinavian	3,689	38	3,727	18.6	7,834	96	7,930	39.6	2,098	32	2,130	10.7	13,621	166	13,787	68.9	6,189	37	6,226	31.1	20,013
Yugoslav	1,121	14	1,135	33.9	1,360	39	1,399	41.8	90	--------	90	2.7	2,571	53	2,624	78.4	713	12	725	21.6	3,349
Total all languages	100,746	1,878	102,624	20.9	194,297	2,956	197,253	40.3	84,768	1,225	85,993	17.6	379,808	6,059	385,867	78.8	102,635	1,262	103,897	21.2	489,764

Note: Printed cards: Titles for which LC printed cards were found, indicating immediate availability; Received: Titles which have been received by LC and are being cataloged: Ordered: Titles on order but not received, availability reasonably certain: Availability: Total of the preceding three categories: To be ordered: Titles which LC ordered as a result of cooperating libraries reports.

Mrs. Green. Mr. Steiger?

Mr. Steiger. No questions. That is a fascinating business.

Mrs. Green. Thank you very much. We appreciate your coming.

Mr. Abel. Thank you for hearing us.

Mrs. Green. Our next witness is the Reverend James Albertson from the University of Santa Clara, and we are indeed pleased to have you with us today. Father Albertson, you may either read or summarize your statement as you wish.

STATEMENT OF REV. JAMES ALBERTSON, S.J., UNIVERSITY OF SANTA CLARA, CALIF.

Father Albertson. Thank you, Madam Chairman. I have a prepared statement which I would prefer to simply enter into the record and make a few points on the matters I consider of most importance in that statement, and then I would be delighted to answer any questions that you or members of the committee would care to pose.

Thank you.

Mrs. Green. Thank you.

Father Albertson. There are three points in the testimony I would like to present. The first one concerns the fact that the much-publicized financial crisis which the colleges and universities are going through today is, I think, a very real crisis.

I believe at times the reality of that crisis has been questioned, but my own personal view from experience with the institutions that I know best by direct experience and also from secondhand information is that the crisis is, indeed, a very real one.

However, it has some silver lining to it, I think, in this sense, that for the first time, many institutions who up to the present have been able to exist in an environment of growth and expansion have had to take a hard look at their real objectives and to assess what it is out of the entire range of goals which, over the years, they have added on to their institutions agenda goals, are the ones they are most interested in achieving and the ones which they have the greatest capability of doing well in.

This reassessment of objectives and the reevaluation of potential is something which the financial crisis is forcing on the institutions. I personally think this is a good thing. It is a reassessment and a tightening which quite possibly would not have taken place were it not due to straitened budgets.

Of course, there is the danger which has been presented to you many times in testimony and to which your own bill is a response, this financial crisis could drive a number of institutions out of existence, and instead of being able to reassess their goals and to even reevaluate what they could do best, they will be in a position of being able, obviously, to do nothing.

So if that financial crisis can be met, and then the—hopefully temporary—emergency situation which the institutions find themselves in is alleviated, there will be a net result, I believe, of improved quality of education and better opportunity of education for American people which these institutions are offering.

However, even if that financial crisis is met and even if the institutions are able to tighten up on their objectives and are able to eliminate extraneous programs which they have introduced over the years and are able to get themselves out of business which they really should not be in either for lack of talent to manage or fund to finance, even if they are able to do all that it still seems fairly clear from recent history, the history of the last 5 to 10 years that the institutions will be unable to even then respond in a very full and ample way to the many demands for innovations and reform being placed on them.

As someone who has been involved for about 10 years with higher education on the level not so much of talking about it, but of trying to do it, it has become a very frustrating experience to attempt to sponsor—in any effective or extensive way—reform in teaching methods and teaching objectives in colleges and universities.

There are so many pressures that work in an institution like a college to inhibit reform that the amount of demonstrable change that takes place after any number of studies, after any number of committees, is very small, and there are faculty pressures which have been well documented in numerous studies which I am sure all the members of this committee have seen and read, which work against change.

The discipline orientation of faculty members is, in many respects, a serious obstacle to change. It has, quite evidently, virtues built into it, the regard for scholarship and for the progress of a particular discipline, but it is also a set of blinders on a faculty member so that his outlook on education and his outlook on the student's career—the students who sit before him in class—is very much shaped by the discipline which he represents.

So many of our college and university faculty, among whom I would have to number myself, despite the good wishes and good intentions to think of their better students as followers in their own footsteps into Ph. D. programs and into academic positions, and as potentially great physicists, or potentially great historians, and are concerned with the other aspects of education mainly limited by his discipline orientation.

There are departmental structures that work against reform, and there is the inability of administrators, and again I have to plead equally guilty with all the others, to even get ourselves out of the patterns of education into which we have stumbled either by the accident of our own undergraduate education and the form that took, or in the patterns to which we have been somewhat compelled by professional or other accrediting areas, and associations. It is very difficult in the long run to think outside those patterns, however much we might want to, and however admirably we may think various programs that come to us for attention are.

When all is said and done, very few programs which are radical changes from what we are doing now ever seem to get off the drawing board and into action where the students can encounter them.

Mrs. GREEN. May I interrupt?

Do you think the innovation and change has to come from Washington? Do you think institutions are incapable of bringing about change?

Father ALBERTSON. No, Madam Chairman, I don't think institutions are impossible. They have within them the seed of this in the form of many persons on the faculty and in the administrations who have the energy and initiative to carry out significant reform, but the institutions, while supporting these people in the ways that they can give them assistance, nonetheless do not offer a very fertile bed for these ideas to take root and grow.

So the institutions are not impossible, but the institutions need a kind of prodding, and some of the people in the institutions need a form of assistance which the institutions themselves can provide.

Mrs. GREEN. Do you favor the Foundation?

Father ALBERTSON. I think the Foundation could be a help in this regard. The Foundation has been considered extensively I know, already, before this committee.

Mrs. GREEN. Do you see any inherent dangers?

Father ALBERTSON. Yes; I do. I see some of the dangers which some of the testimony already presented has brought out. I have had the opportunity of listening to the extended dialog between yourself and Mr. Brademas with Mr. Newman yesterday, the discussion that was held at an earlier hearing today. The difficulty in the fact that a foundation of this type would have a director and a board of limited number which would have a considerable amount of either de jure or defacto authority to work to shape the directions that education takes by selective funding of proposals.

I think this is a danger.

I think we are faced, however, with an alternative danger that is equally great, namely, the danger that if we simply rely on existing institutions and existing associations in institutions, we shall not get the kind of reform that postsecondary education needs.

For every idea that gets supported and put into even limited effect, there are probably 1 to 2 dozen that simply never see the light of day.

Mrs. GREEN. Hundreds of millions have been funded by the Office of Education for grants and contracts in research and new ideas. Why do you think we have not had the change as a result of these applications, and expenditures and what would be different in a foundation?

Father ALBERTSON. There are probably a number of answers there. The one that comes immediately to mind to me is that the Office of Education and the programs which it has sponsored have grown up inside the same mentality that operates the educational establishment that we have today.

It operates within the patterns, the same kinds of patterns that inhibit radical change within the individual institutions, and if we continue to rely on this type of support for innovations and change, I very much fear that the net effect will not be nearly commensurate with what we need, that we must make a substantial effort to break out of the pattern in which we find ourselves today.

As difficult as it may be, and as dangerous as the endeavor might appear from this historical perspective I think we ought to take it and I do believe that the Foundation, as it has been described, given certain safeguards, certain checks and a balance, which possibly the Congress can devise for seeing that its objectives are carried out consistently, such a foundation does offer in my judgment a reasonable expectation of meeting our need for reform.

Mrs. GREEN. Thank you.

Mr. Steiger?

Mr. STEIGER. Santa Clara is one of those institutions recognized as being reform minded. Your testimony has been helpful.

Let me go into two specific parts of this puzzle on the Foundation. One, the dialogue taht took place yesterday with Mr. Brademas and Mrs. Green and others, related to this problem of the Board and its relationship to the Foundation.

One of the questions that was asked of Frank Newman that came up again this morning is, Who do you have on that Board; what kind of people?

Would you concur that the board ought not only to be as nonpartisan and as outstanding as possible, but that it also ought to reflect a viewpoint other than what Newman called the elitist institutions viewpoint?

Father ALBERTSON. Yes, Mr. Steiger, I think the Board should represent a variety of viewpoints. The range of educational opportunities which have to be opened up are far broader than those that can be covered by that type of institution, and if the direction that innovation takes is limited simply to something of an extension of what elitist institutions are doing, then we are not meeting the problem we should be meeting at all. So the Board should represent a much broader range of interest—and a much broader range of possibilities than is represented by simply the elitist institutions.

My own institution is not an Ivy League institution. We do believe that we have the capability of educating excellent students and we have limitations in dealing with students who need a variety of kinds of remedial education in order to enter into the mainstream of education.

We have our limitations and as much as I would respect our own endeavors at creativity and reform, I would certainly not like to see all efforts along only the lines that we ourselves could envisage.

There are many other lines that have to be opened up.

Mr. STEIGER. Am I fairly stating your very good testimony in trying to draw this balance that there are problems in institutions, that there are problems in the financing of institutions, and that, yes, there are problems in attempting to create a new foundation, but that the failure to create an institution for innovation and reform is a risk we ought to not run?

Would that be fair?

Father ALBERTSON. Yes, that is a very fair statement of my point of view. I realize the dangers on both sides, and I feel we cannot accept the danger of stifling reform until we have made a serious effort at promoting them through some institution such as the foundation.

Mr. STEIGER. Thank you very much.

Mrs. GREEN. I would ask unanimous consent that Father Albertson's statement be made a part of the record.

(The document referred to follows:)

STATEMENT OF REV. JAMES ALBERTSON, S.J., ACADEMIC VICE PRESIDENT, UNIVERSITY OF SANTA CLARA, CALIF.

Madame Chairman and Members of the Committee: One of the commentators on American higher education has described the current scene in terms of a nightmare vision. He sees the collection of American colleges and universities as a man standing in the middle of a darkened street down which he is peering toward what looks to be a solid wall closing off the street. Just beyond him are two signs which may offer direction. As he comes closer he can make out an arrow pointing ahead with the words "One Way," and another sign with the words "Dead End."

It is unfortunately true, as you have heard many times in the course of testimony, that in several senses American higher education appears to be moving down a one-way street toward a dead end. Most spectacular and most pressing, of course, is the financial cul-de-sac. Expenses are mounting faster than income and the date on which reserves will be exhausted at the present pace of liquidation can, for many institutions, be rather precisely calculated. For some it is only a very few short years away. The dead end is in the next block.

When we consider that in the areas of natural and social science perhaps ninety percent of all knowledge we have amassed has been gathered in the last generation, it is distressing to realize that the great body of American colleges and universities which has taken over three hundred years to develop and which has played a key role in that growth of knowledge may be dead of financial starvation in just another generation.

But the financial dead end facing so many of our institutions of higher education is not the only one. The apparent inability to change educational structures and policies in order to adapt to the changing requirements of society's demand for new forms of postsecondary education is another.

It is this second kind of dead end which I should like to emphasize in my remarks before you today.

Nearly every major study of American higher education in the last five years has pointed to the urgent need to develop ways of providing vastly expanded varieties of educational options to young people of college age who are just completing high school and to older adults already at work in life careers. The traditional patterns are not enough and they are clearly breaking down under the mounting pressure to provide new things and to provide them for more people.

The typical American college program today is a mixture of nineteenth-century liberal arts idealism, early twentieth-century curricular electicism, post-sputnik scientism, the mythology of residence colleges as a community of learners, the vision of research and teaching as equal parts of the scholarly whole—all interlaced with the more recent endeavors of the colleges to become centers of social action, rallying points for political causes, dispensers of miniature welfare programs, models of participatory governance, and also providers of resource people for the local community and for the nation at large. Each of these ingredients can be defended, and well defended, as meeting a need of the people more or less present and more or less pressing. Each contribute to a definable and desirable goal.

But instead of making from among this increasing number of recognized needs a selection of those which it could most effectively meet with its existing and foreseeable resources of money and talent, the typical American college has simply added each newly conceived goal on top of the last as part of the ever heavier burden it is attempting to carry. The urge for accretion is apparently irreversible; the street is evidently "one way" only, with no possibility of turning back. And as the colleges begin to stagger and some even to fall under this burden the inevitable end is in sight.

It is certainly possible, and very much to be hoped, that the deteriorating economic situation of so many of our colleges and universities will stimulate a reassessment of goals and programs in view of available resources. More comprehensive planning, which views the parts as subservient to a consciously considered whole rather than the whole as a hodgepodge collective of autonomous and competing parts, is being forced on many institutions as a result of financial necessity. The university which cannot support both a college of engineering and a college of humanities may have to decide which one it will eliminate.

The college which cannot afford both a full-scale remedial program for educationally disadvantaged students and an extensive and costly honors program for the academic elite must make a choice or a compromise, and it must reassess its goals to do so. Straitened budgets are forcing most schools to exercise tighter fiscal control and are arousing in many the desire for better cost accounting and program budgeting.

And so the current financial squeeze will—if its grip can be loosened enough to prevent strangulation—very hopefully have the desirable effect of shaking out the overcrowded agenda of our schools' objectives and of thus freeing the separate institutions of extraneous burdens so they can do well what they can do best.

In this way better educational opportunities can become available to the American people.

But even if this shaking out does take place there is considerable evidence from recent history to show that the present body of institutions of higher education will be unable to meet the full need for innovation and reform.

There are so many things that need to be done if meaningful opportunities for post-secondary education are to be opened to the fifty percent of college-age students who will not be in our colleges in 1975, and opened also to the much larger percentage of those beyond college years whose education stopped with high school, that recent studies have been able only to begin their enumeration. The Assembly on University Goals and Government of the American Academy of Arts and Sciences has produced a list of eighty-five theses to stimulate academic reform, and each of these theses could generate one or a dozen specific innovations in the procedures of American higher education.

Some of the new models of education being imagined are, of necessity, radical departures from current practice. Schools are envisioned in which students of all ages are free to come and go as the varying demands of their work experience dictate—schools which, in other words, offer not a pre-packaged program terminating in a degree and a push out the door, but rather give a continuing open opportunity for educational experiences which parallel the changing needs of a person's life and career patterns. Other schools are envisaged which have no buildings or classrooms but offer instruction over cable television to everyone who cares enough to tune to the proper channel, and which then offer degrees to those who can meet the standards of certain examinations. Even other schools are projected which have no specific curriculum or list of courses, no examinations, and no degrees but only a faculty and a student body that encounter one another in whatever ways they find most intellectually exciting and stimulating.

To implement any one of these new models of education requires such a change in the way colleges—and the faculty, administration, alumni and donors who make them possible—are accustomed to operate that one has the strongest doubts these models can be created out of the environment of existing structures of American higher education. Our experience thus far with academic reform shows, for example, that any change which would involve substantial modification of the behavior patterns of individual faculty members has little chance of getting beyond the drawing board or a committee recommendation. An administration whose personal experience, channeled and reinforced by the accrediting associations, has been with courses and credits and degrees is ill-equipped to be innovative in unstructured forms of education. Nor can alumni and donors be expected to be enthusiastic in support of an institution whose new image seems to them to bear no relation to the one they remember from the days when their loyalty was first won.

In short, there are strong reasons to believe that the requirements of post-secondary education in the generation ahead will not be wholly met by a reformation of the existing structures and institutions of higher education—not even if the current financial crisis of these institutions is met. Some of the new modes of education which will be needed are so radical a departure from what we are doing now that they almost surely will not grow out of our institutions of today. New institutions and new ventures, many of them with very specialized objectives, will be necessary.

I am encouraged to note that recognition of the need to support such new institutions and new ventures is so evident in the bill to establish a National Foundation for Higher Education, H.R. 5192, which is now being considered by this committee. The activities to be supported by this Foundation include: "the creation of institutions and programs involving new paths to career and professional training, and new combinations of academic and experimental learning"; "reforms designed to expand individual opportunities for entering and re-entering institutions and pursuing programs of study tailored to individual needs"; and "the creation of new institutions and programs of examining and awarding credentials."

In addition to the present financial crisis of existing institutions and programs of higher education there is another no less urgent but perhaps less immediate need for vigorous support of innovation. It is this need which I commend to your consideration.

Madame Chairman and Members of the Committee, it has been a pleasure to have had the opportunity of presenting these views to you.

Mrs. GREEN. Do you have anything else you would like to comment on?

Father ALBERTSON. No; I do not, Madam Chairman.

Mrs. GREEN. We appreciate your being here very, very much. Thank you for coming.

Father ALBERTSON. Thank you for the opportunity to come.

Mrs. GREEN. The committee will be adjourned until Wednesday, April 28. There are conflicts on Monday and Tuesday.

At this time, Father Henle, the president of Georgetown, and John Mathis, the president of United Student Aid Fund, will be here, and in the afternoon, Ben Lawrence, of WICHE.

(Whereupon, at 3:40 p.m. the Special Committee on Education adjourned, to reconvene at 10 a.m., Wednesday, April 28, 1971.)

HIGHER EDUCATION AMENDMENTS OF 1971

WEDNESDAY, APRIL 28, 1971

House of Representatives,
Special Subcommittee on Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 2261, Rayburn Building, Hon. Edith Green (chairman of the committee) presiding.

Present: Representatives Green, Scheuer, Daniels, Brademas, Dellenback, Quie, Steiger, and Ruth.

Mrs. Green. The subcommittee will come to order for the further consideration of higher education legislation that is before this subcommittee. I think we are especially fortunate this morning in having two witnesses who I know will be offering extremely constructive suggestions and recommendations to us.

Our first witness is no stranger to the members of this committee. He is a longtime friend, and one whose advice and counsel on higher education we value very highly.

We are very pleased to have you with us, Father Henle. Father Henle is the president of Georgetown University. You may proceed, Father Henle, as you wish.

Father Henle. I have a very short written statement, if I may read it.

Mrs. Green. Fine.

STATEMENT BY REV. R. J. HENLE, S.J., PRESIDENT OF GEORGETOWN UNIVERSITY

Father Henle. Madam Chairman and members of the committee, I am Robert J. Henle, of the Society of Jesus, the president of Georgetown University here in this city of Washington. Prior to my coming here, 2 years ago, I was, for 26 years, professor, dean, and academic vice president at St. Louis University in Missouri. This year I am serving as chairman of the board of directors of the Association of Jesuit Colleges and Universities of the United States. I appear here today as spokesman for the 28 institutions which make up this association.

We are deeply grateful for this privilege which you have accorded to us to present our views to this committee as you consider legislation to cope with some of the problems faced by higher education.

At the outset, let me say that we are not seeking special legislative privileges for Jesuit institutions. Our purpose is rather to urge legislative policies which will deal with problems of higher education in general and private higher education in particular. The Jesuit institutions are a significant group of private colleges and universities, and it was our thought that we could assist the committee by giving you some insight into our problems and our thoughts as an important part of your exploration of the plight and needs of private education at this critical time.

Much of what I will say is true of all institutions of higher learning in the United States. Much of it is more relevant to private higher education. The Association of Jesuit Colleges and Universities includes 28 institutions. These institutions have a combined total enrollment of 160,000 students. They have a combined total operational budget for 1971 of $344 million; 17 of these institutions had, in fiscal 1970, a combined deficit of $15½ million in their operational budgets.

The institutions constituting this association are privately controlled. They all are chartered or incorporated under the laws of the United States, State laws or Federal laws, as the case may be. None of them are ecclesiastically erected or incorporated. Most of them are controlled and operated by a board of directors, independent of any external authority other than the general laws under which they were incorporated. The boards in some cases consist solely of Jesuits, but in most cases are combination of Jesuits and laymen, of Catholics, Protestants, Jews, men and women, and more and more these boards tend to represent the general public and the general constituencies of the university or college.

The Jesuit colleges and universities receive no subsidies from the Catholic Church. They receive no subsidies from the Jesuit Order as such. Those Jesuits who serve the universities in whatever capacity as faculty members, as administrators, secretaries, librarians, or whatever, do indeed return a surplus of their salary to the institution, as a free will gift. This is the traditional contributed service of the Jesuit or the religious to the institution he serves. The theory of a religious order, is that it has a right to obtain a living from its ministry, but not to make a profit from its ministry. However, two factors have greatly reduced this contributed service, whether it be in a cash return or an accounting entry. First of all, the order itself has felt the increasing pressure of inflation and escalation of costs, so that the surplus has been dwindling in an absolute sense. On the other hand, even if the surplus remained the same amount, absolutely speaking, in proportion to the cost of operation of the institutions and the size to faculty, the Jesuit contributed service has consistently dwindled relatively and has in many institutions become quite insignificant as a factor in its fiscal operations.

These institutions are obviously religiously oriented. They believe in the importance of moral development, of religious opportunities, et cetera, for the students, but they are universities and colleges in the strictest sense and provide an education in all appropriate fields that is in every way comparable and in some cases superior to programs provided in nonsectarian private institutions and in public institutions. None of them have a discriminatory admissions policy. The student body, the faculty, and the administration are made up of representatives of all the segments of our population in terms of nationality, race, religion, and sex.

My testimony today rests upon the assumption which I believe is generally accepted in the American academic community, that the strength of our university system lies in its pluralism, its diversity, its richness and its provision for a wide choice, whether this choice be religious, traditional, academic, geographic for the American college student. I believe, consequently, that it is in the public interest to maintain this diversity and, therefore, it is in the public interest to maintain the existence of private higher education with all its diversity, sectarian and nonsectarian, religiously and nonreligiously oriented, southern and northern, western, et cetera.

Assuming, therefore, that it is in the public interest to maintain our Jesuit institutions of higher learning, and other private institutions of higher learning, the question becomes one of means.

We have taken the position, and I have expressed this position many, many times in the past 10 years, that private institutions in general and Jesuit institutions in particular will be able to survive as quality institutions with distinctive characteristics only if funding from every source is substantially increased. I do not believe at all that the private institutions can survive solely on contributions from private sources. I have said over and over again and I repeat it now that unless there is an infusion of State and Federal moneys into the private universities of the United States, they will not on the whole survive as private quality institutions. They will close, deteriorate into mediocre institutions, lose their distinctive character or go public. Any one of these alternatives I think in most instances would be tragic. There may be some private institutions which are not viable for other reasons and perhaps should close or amalgamate with other institutions. But a wholesale closure or deterioration or going public on the part of private institutions would be a disaster.

I hope that this committee agrees that private higher education is a precious heritage which should be continued and strengthened. To do so will maintain our pluralism which is of significant importance to the quality of education and to our way of life. It will minimize disruption of our present system and give a base for improvement, change, and redirection. It offers an opportunity to maintain and expand higher education with fewer tax dollars than does the alternative of fully supported public education.

The elements which we believe should be considered in developing legislation for higher education are:

(1) The urgent necessity of continuing with appropriate expansion and perfection the sizable group of legislative authorities which are scheduled to expire on June 30, 1971.

(2) Expansion of student aid and not only for the low-income student but for the children from middle-income families who are in fact becoming seriously disadvantaged in this regard.

(3) The need for institutional support to assure financial stability and continued operation of private colleges and universities.

(4) The need to provide supplemental institutional support to accompany expanded enrollment resulting from increased student aid should that be necessary.

(5) The need for assistance in developing needed new and replacement facilities—academic and residential.

The President is to be commended for his program of expanded support for student aid to the economically deprived. We support the objective of this proposal.

In administering existing authority and basic to his new proposals, however, is the concept of redirecting present resources from the children of lower middle income families to the very poor. It is our considered judgment that this is unwise public policy.

We are moving to a system that can accommodate only the rich and the poor. This is an unwise policy in terms of the national youth from all segments of society and we believe is inherently unfair and inequtable. This is an unwise public policy from an educational standpoint. Essentially all educational authorities subscribe to the concept of the educational advantage accruing to all students from an environment which consists of a broad and diversified student body representing all of the diverse elements of our society including students from all income levels.

The President's program fails to deal with the problem of institutional aid. This is the critical question which must be addressed if we are going to preserve private colleges and universities as a significant element of higher education and assure the maintenance and improvement of quality education. The numerous studies and news stories on the financial plight of higher education need no elaboration from me. It will suffice to say that I am personally in a position to support their conclusion that the problem is now and it is acute as it is critical. The ship is sinking. The house is on fire. To say that we must further study the needs of higher education and further study ways of assisting it is like saying we should calculate the amount of water in the hold before manning the pumps or study fire prevention methods before throwing water on the house. In my original text, I had said almost every month in the last year another private institution has announced its surrender—it is almost two a month; 21 institutions have closed in the last year. A very, very venerable institution in Emmitsburg announced they will close in 1972.

Over more than a decade the Congress of the United States has developed a series of admirable programs for the support of education and research. These programs can perhaps be better organized and correlated, but as substantive programs they constitute an intelligent and farsighted blueprint for Federal aid.

In addition to the full funding of most of these programs, what we now need is:

(1) An improved program of student aid, more grants than loans, better distributed so that the middle income families are not discriminated against while the poorer families are given full adequate aid.

(2) Direct institutional aid—support of the bread-and-butter operation of our institution. To encourage innovation alone is praiseworthy but to put the emphasis on innovation at this time is like offering to help a starving man develop a cuisine of new recipes.

Many formulas have been suggested for institutional grants; I will not propose a new one, since almost anyone of those now proposed would go a long way to meeting the critical emergency. I would suggest that whatever formulas are adopted the following guidelines be considered:

(1) The cost deficits are related directly to the educational activities of the institution; therefore, the formula should relate to the number of full-time and full-time equivalent students actually taught—not simply and solely to degrees granted. Many students receive educational benefits from an institution but transfer to another institution to complete their degrees or simply drop out for a variety of reasons. They have benefited and they have been a cost burden.

(2) The formula should not be tied to increased enrollment. This would discriminate against institutions already operating at a reasonable capacity and would encourage institutions which should not expand to do so for purely fiscal reasons.

(3) The formula should provide assistance of significant importance to the operational budget but without taking over that support which we should rightly expect from the private sector.

I believe that the formulas provided in H.R. 7248 meets these guidelines very adequately.

Although lower on our list of priorities, we would urge that support be continued and expanded for needed facilities. The financial plight of many institutions has caused long delay in replacement of old facilities; development of long overdue new facilities, to meet increased enrollments and changes in educational requirements, has resulted in too slow an evolution in applying advanced educational technology and has in many cases resulted in neglect of sound maintenance standards of existing facilities.

In essence, Madam Chairman, my testimony is similar to and supportive of the views expressed by the American Council on Education, the Association of American Colleges, the National Association of State Colleges and Land Grant Universities, and the American Association of State Colleges and Universities.

My purpose in appearing is to present to you the views and problems of a distinctive group of institutions that are an integral part of private higher education. The Jesuit institutions are, I believe, distinctive and at the same time full-fledged partners with all other elements of our pluralistic system of higher education.

It is a system which is deserving of public support for its continuation and its improvement.

We need your help. We urge you to develop effective and comprehensive legislation at the earliest practicable date. We commend to your consideration the basic elements of assistance which I have outlined in amounts that are substantial to meet current critical needs.

I am deeply appreciative of this opportunity to appear here today on behalf of the Association of Jesuit Colleges and Universities.

I will be pleased to answer any question you may have or to supply any additional supportive data which would prove helpful to the committee.

Thank you very much, Madam Chairman.

Mrs. GREEN. Thank you Father Henle for a most eloquent and persuasive statement.

On page 7 you stated that—or you changed your statement to say that 22 colleges had closed this last year. Are these Jesuit colleges?

Father HENLE. No; these are private colleges.

Mrs. GREEN. Then, in your judgment, is that 22 figure accurate?

Father HENLE. It is taken from a report—it was quoted—I have it from an article in the Los Angeles Times, from a survey report. I can't find it right now, but it was from this article that I got that 21. I didn't recheck it, but I do know that quite a number have closed.

Mrs. GREEN. I know a couple closed in Portland. That represents a very small part of the total population of the country so I really wondered if maybe the figure wasn't actually larger.

Father HENLE. There are additional institutions that did not close but amalgamated with other institutions. I seem to remember that figure was something around 20 also. If you wanted to say 41 went out of individual existence, it probably is true.

Mrs. GREEN. The bill which several of us introduced, H.R. 7248, makes some major changes, one, of course, is in the way student financial aid would be administered. Under the guidelines and regulations that the Office of Education has issued, it is going, in my judgment, way beyond the congressional intent and the law itself, and in some instances contrary to the congressional intent. The Office of Education sets up a formula and every institution in the country is expected to follow that formula. The formula which they have suggested this year, and in the administration bill, in my judgment, is far harsher in terms of limiting aid to the middle income students. Assistance is totally associated with the family income, other extenuating circumstances have not been considered.

In the laws that have been passed by the Congress, we say that EOG money shall go to the neediest students, but we also say it shall go to those who show academic promise and creative ability. I think the record is very, very clear that when the EOG and the subsidized loan programs were initiated, it was the intent to help the youngsters from middle income and low middle income families.

The bill which I have introduced, and which several of my colleagues have also cosponsored, would change this and it would say that, one, the EOG money could still go to the neediest students in that institution. We establish two general requirements for assistance: (a) that a student must be in good standing in the college or university he is enrolled in, and (b) if it were not for the student financial assistance that student would not be able to continue his college work.

Beyond that we leave it entirely to the individual college or university to set the policy as to how that money shall be distributed among their student body and the student financial aid officer is expected to carry out that policy.

Now, I think, and I would say to my colleagues who have cosponsored the legislation, there is a problem with proprietary institutions which we are going to have to turn our attention to. My question is directed to the Jesuit institutions which you represent and the vast experience you have had in higher education. In your judgment, do you think that the universities and colleges in this country have had sufficient experience in the various student financial aid programs so that they could decide the policy and how the money should be used among their students without strict guidelines and rules and regulations?

Father HENLE. Well, Mrs. Green, I think that in the main, we have developed a set of professionals in the last 10 years—5 years in our institution—professionals who do work within institutional policies, who do know our student body, who do know the laws, who do keep good records, and it is our opinion, and I think I speak for all of the Jesuit institutions, that a great deal of latitude ought to be left to the financial officers within the institutions as well as to the institutions and that the setting in this particular case, what we usually do, is work with the students to work out a package which may include some family support, summer job, job in the library, some work-study money, some loan money, and try to adjust it to fit his particular circumstances and need, and these develop in all different ways to meet all different situations.

I think a great deal of freedom is necessary to allow people, really in this way, to adjust to the individual student needs and individual locale and to the institutions, so I would be, obviously some guidelines have to be laid down, but I would be in favor of more flexible rather than more rigid ones, and I think I agree the proposals in the administration bill are viewed by our financial officers as being too restrictive and will make their job much harder.

On the other point, I have already taken a position—in the Jesuit institutions, we are all feeling the difficulty in the middle income group, and this is a very large part of our student body. Most of our institutions are not financially elite institutions. Georgetown is the most elite as far as the affluence of our student body. Seattle University—I am sure you are acquainted with—many of them are largely middle income people. This shift for us, in most of our institutions, will create grave problems, and it will tend to increase the unused capacity in private institutions unless, on the other hand, the States come in by way of assistance as happened in some States. Is that an adequate answer?

Mrs. **Green**. Yes. I am going to follow it up with another question. I have not always agreed with Saul Alinsky, but I agree very much with a statement he made recently—that the most alienated group in the United States is the middle class. They have no special programs or privileges, only the right to be clobbered by inflation and taxes. I think we have to meet this problem of middle income.

My follow-up question would be—you said there should be greater flexibility on our programs. This was the purpose of the new direction in H.R. 7248. If you have that flexibility to combine various assistance programs, it seems to me you could put together a package better. You said there should be some guidelines. Beyond the guidelines in H.R. 7248, have you discussed it enough to find out what the guidelines should be?

Father **Henle**. I don't believe I am prepared to give you a stated set of guidelines. I think the ones to which you refer have drawn favorable comment from our financial aid officers and some of the others that have been proposed, I have heard them criticized as going to make their job much more difficult.

Mrs. **Green**. I guess I have reached the point where I am in favor of just saying to the Office of Education—you can't issue more guidelines on this. This is the law and our intent is clear. We have, in the past, given them much discretionary power, and it seems to me it has been greatly abused. If you have more thoughts on this, or if your student financial aid officer has any suggestions, we would appreciate having them.

Mr. Dellenback.

Mr. **Dellenback.** Father Henle, we appreciate your being here and your very helpful testimony is of real value to us.

There are several lines of questioning that I want to follow on the specifics of your testimony and some on the broader concept of aid to private sector of higher education.

Are you able to give us anything in any sort of specific terms, maybe even something that is subject to a standardization or measurement comparatively as to what the unique contribution of private higher education is as opposed to public? You make the point and we tend to take this for granted, but can you give us any specifics? Why is it that you feel it is really a unique contribution that must, at all costs, be retained?

Father **Henle.** I think, if you think of a group of private institutions, let's say Tulane, Vanderbilt, Notre Dame, Georgetown—first of all, they have a kind of distinctive private tradition. You visit the campuses, you meet the graduates, there is a difference even among these institutions that grows out of their background, traditions, out of the fact they have been able, in many ways, to plot their own course. The public institutions are necessarily, properly and by law, tied more to the needs of a given area and to the broadest possible needs of an educational system whereas a private institution can readily decide it is going to have a distinctive characteristic. For instance, Georgetown is an institution--oriented to people—I am talking about the undergraduate school—we have little technical emphasis—we don't have a school of engineering, we don't want to. Our emphasis in the sciences is not one of a broad applied program. The emphasis we have adopted in science is a highly limited approach. We are able, by these types of decisions, and deciding not to serve in particular areas, and particularly not to duplicate some of the services of the private institutions, or go into the more technical or vocational fields, we develop, I think, an opportunity for different types of character development and different types of leadership, different stamps on people. There is almost a necessary homogenization in a public institution and you know you have got to be broad based and open ended and more and more I think a public institution has to be open. We can control the requirements of programs, more easily, in order to give them a distinctive characteristic and so forth.

Mr. **Dellenback.** You have indicated in your testimony that none of the schools, and I assume you are going to the Jesuit schools, maybe even more broadly than that, but at least all of those in the association you represent—you say none of them have discriminatory policies? Are they outbalanced as far as men and women are concerned?

Father **Henle.** You see, up to about 1950, many of our institutions were all male and the transition has been slow—it has moved in different institutions in different ways.

Mr. **Dellenback.** Are any of them still all men?

Father **Henle.** Holy Cross was the last holdout and it changed this year. As a matter of fact Seattle University was almost a girls school at one time. I think the number of women at Seattle University outnumbers the number of men at the present time. When I left St. Louis, our undergraduates were about 35 percent women. Georgetown, our college was a holdout until 2 years ago when the college began admitting girls, so the percentage of girls in the college is growing year by year.

Mr. **Dellenback.** About where is that, now?

Father **Henle.** I think we have maybe 200 girls in the college.

Mr. **Dellenback.** Out of how many?

Father **Henle.** Out of 1,800. You see, we have five undergraduate colleges or schools, and the school of languages, which is one of the distinctive schools of Georgetown University has more women than men. The school of foreign services has always drawn a lot of girls—it is about evenly divided there. The nursing school—we have tried——

Mr. **Dellenback.** How about minorities in the various 28 institutions?

Father **Henle.** Again, it varies widely.

Mr. **Dellenback.** What percentage?

Father **Henle.** We have a percentage of, I think, 3 percent now.

Mr. **Dellenback.** How about the total across the board—you say it varies widely?

Father **Henle.** Some of them are up to 10 percent.

Mr. **Dellenback.** That would be about the highest?

Father **Henle.** Yes.

Mr. **Dellenback.** Are there still some that have zero?

Father **Henle.** I don't think so. One of our problems, if I may just interject a moment, from the standpoint of Georgetown—for the type of institution we are and the size of institution, and really the excellence of our institution, we have, perhaps, the most minimal scholarship funds of any comparable institution. When you begin recruiting minority groups, it is an——

Mr. **Dellenback.** Would a Federal grant that gave emphasis to this be helpful to you in terms of bringing you in balance?

Father **Henle.** Yes. Any program that will increase the assistance for the economically disadvantaged, and if there were additional money to assist us in special programs for the culturally disadvantaged—for instance, we recruited heavily to get black groups of girls into the nursing school last year, mainly from the District. We found our chemistry course absolutely murdered them because of their background in science, so we are planning next summer to try to bring all of the black students entering the nursing school——

Mr. **Dellenback.** I understand the type of thing you allude to, but you would still say that Federal funds that would be available, instead of being targeted most heavily on the disadvantaged, should not be targeted predominantly on this broad lower base. You would rather see more funds to fewer students than lesser amounts to more students? Which way would you go on that? There are limits on the amount of Federal moneys. We are always facing hard choices of we must do this or that because we can't do both. We are looking for guidance as to where emphasis should be placed. Would you have any comment on it briefly. This is a problem in depth. Where would you put the emphasis if you had to make a choice between getting more low-income students to get a crack at education, even though it meant all middle-income or high-income students would not get any aid; or just saying we can't reach those, so we are going to concentrate on the middle income?

Father Henle. I would not subscribe to a statement we want to concentrate on the middle income, if that is what you mean. We should target more funds on the disadvantaged and low income. I think we are cutting off the Federal assistance to the middle income too sharply.

Mr. Dellenback. We will go on with questioning later. The chairman is following a 10-minute rule, and I will withhold further questioning for the moment.

Mrs. Green. Congressman Daniels.

Mr. Daniels. I would like to congratulate Father Henle for his fine and enlightening testimony. I haven't had the time to devote to this subject matter, nor as much time as I would like to devote, so I am going to yield my time.

Mrs. Green. Would you yield your time to me for a moment?

Mr. Daniels. Certainly.

Mrs. Green. I would like to ask you—it seems to center around whether we should have student financial aid for the very poor or for the middle income. Let me put it another way. If there is a student attending any one of the institutions which you represent, and he or she would have to drop out of that institution if it were not for the financial aid which was being made available, is it either in the interest of the individual or the national interest, to give preference to a very low income student over another student who might come from a middle-income family?

Father Henle. I would hate to be faced with making a universal rule. In all of the cases of the middle income that you are talking about, we would have no aid for them and a large number of the other cases, we would have aid—what is bothering me is really cutting the aid to the middle-income group, down so badly that it really is, in our opinion, going to be ineffective as far as private institutions are concerned, and they indeed have been forced to drop out.

Mr. Quie. Will the gentlelady yield?

Mrs. Green. Just a moment. We have heard testimony that the student bodies in private institutions which have higher costs, are increasingly composed of the very wealthy who can afford the high tuition and the very poor, who are eligible for Federal aid. The reason I feel so strongly on this is I took sharp exception to the guidelines issued sometime within the last 2 years. The guidelines have been so interpreted that if *x* institution had $1,000 for student financial aid and a very needy student would not be able to continue at this institution unless he had the full thousand and four other students would not be able to continue at that institution unless each one of them had $250, the institution was allowed no flexibility. The Office of Education guidelines required them to give the full thousand to the one most needy student, and the other four were simply out of luck. They had to drop out. It seems to me, that kind of inflexibility serves neither the institution, the students or the national interest.

Father Henle. I agree with that. I think that is correct. I would be opposed to that kind of flexibility. I think there are some cases where we ought to be able to save the middle-income people and keep them. I am concerned about Georgetown. It does draw a certain level of affluent students. We have had a lot of the middle-income students and have been very concerned about ending up with the extreme limits and being a sort of a combination of a remedial college for the culturally deprived and a rich man's college, which, I think, is not in the public interest or not in the private interest of our students.

One of the things I think is essential to education is the mix that I referred to. I have told our black students, for example, that I want them there not only so they can get educated but so they can help me educate the white students. It is only by living and talking together that this can be possible. I think it is extremely important to produce people who are going to be American leaders to go to college with young men and women all over the country. I remember the president of Minnesota saying to me once that—he said, imagine what we have in the University of Minnesota, teaching a course on the civil rights movement without anybody from the South or any Southern black man in the course.

Mrs. Green. Would it be appropriate, Mr. Daniels, for you to yield to Congressman Quie at this point?

Mr. Daniels. I think so.

Mr. Quie. As I listened to all of this, I wondered what your definition of middle income is. This is the problem I have had all through the series of hearings we have been having. The administration talks about a $10,000 adjusted gross income for a family of four, one child not in college and one child in college. If you take the size family I have, as the last Catholic priest who introduced me called me a careless Lutheran, for we have five children, two of which are in college, the income under the administration proposal would be an adjusted gross income of $18,000. It seems to me we are getting very close to the middle income at that level, $10,000 for a family of four, and $18,000 for a family of seven, two in college. The median income for the family is below $10,000. What are you talking about in this middle income where they are being cut off by the administration bill?

Father Henle. Most of our discussion is centered on something between $9,000 and $10,000 and $17,000 to $20,000 in being in this group, the ones I have heard. I am not an economist, but this is the figures I have heard the people using in this kind of discussion.

Mr. Quie. So that is what the administration means by $10,000 to $18,000, depending on the needs of the family?

Father Henle. Yes.

Mr. Quie. It seems to be in the ballpark—we may be able to increase the lower middle income figure a thousand to $11,000 and if the administration wants to offer additional money, the upper limit can be increased to $19,000.

I think we are making more of a point of cutting off the middle income people than exists. It seems to me, the only middle income people to be cut off would be the guaranteed loan people who now are up around or above an adjusted gross of $15,000. They get the subsidized loan. I question whether those students wouldn't go to college if they didn't get the subsidy.

Mrs. Green. The time of Congressman Daniels has expired.

Congressman Ruth.

Mr. Ruth. Thank you, Madam Chairman. Do you have a student self-help program in your colleges, Father Henle—jobs for students who desire to work?

Father Henle. We do have a program. It is rather limited, I am afraid. We don't have a great number of jobs available for students who want to work. Many more students want to work then we can possibly supply jobs for. We do have a placement bureau. We do help students find jobs.

Mr. Ruth. Let me get this in perspective. You have a limited number of jobs?

Father Henle. Yes.

Mr. Ruth. Is there any particular reason for this?

Father Henle. Because the institution has a certain amount of work to do and part of that is done by part-time jobs. For instance, we hire students to work in the library. We don't make jobs, if that is what you are saying.

Mr. Ruth. No. I am asking about the work program. I am trying to get a little consistency. Your statement, as I see it, was that you have a scarcity of jobs and you have many more people seeking the jobs than you have jobs for them.

Father Henle. Yes.

Mr. Ruth. And, now, these jobs which are scarce, is "need" a factor in who gets the job? Do you try to hire that person who needs the job or do you do it on the basis of who can do the job the best?

Father Henle. I think it is a combination of factors.

Mr. Ruth. That is very upsetting. You have a regulation—is need a factor in the job?

Father Henle. It is a factor, yes, but the decision is not simply made on that basis.

Mr. Ruth. Would the needy person have the preference?

Father Henle. All other things being equal.

Mr. Ruth. I am not for or against this thing. I am trying to find out more about it. We could have a situation where the need is not sufficient to get a job but the student could get a loan.

Father Henle. I think this situation could exist; yes. That is why I was talking about a package.

Mr. Ruth. Does this bother you—the student is too well off to get a job but not too well off to get a loan?

Father Henle. It seems to me that we are working out from a series of different kinds of available aids. We put these together to fit the particular situation, the available aid, and we try to get the maximum benefit out of this for the individual students in the university, and that is why we have professionals working in Financial Aid Office, who deal with students, to adjust their situation to all available programs and help them solve their own problems and advise them.

Mr. Ruth. I am directing this at your school because this is the school you know the best, but I think it is the problem in all schools.

To get back to my question, do you see a possibility of our having a problem of having a program where the student isn't poor enough to get a job because of his income; we will give him a loan, but not a job?

Father Henle. I don't see that as a problem.

Mr. **Ruth.** Wouldn't it disturb you if it happened in an individual case?

Father **Henle.** If we are talking about eligibility, I am not sure. We are talking about our own jobs.

Mr. **Ruth.** Your college is just like mine. If you don't have the eligibility, you don't get in the ballpark?

Father **Henle.** Yes.

Mr. **Ruth.** No further questions.

Mr. **Dellenback.** Will the gentleman yield?

Mr. **Ruth.** Yes.

Mr. **Dellenback.** I would like to follow a little further, your response to Congresswoman Green's question about middle income. I couldn't agree more that, if you face the situation to which Mrs. Green has alluded where the same number of dollars could keep four middle-income students in college or a university under one program and could keep only one low-income student in a college or university under the other, there should be priority given to helping the one before you help the four. But theoretically that isn't a problem.

If we look at what is middle income, I remember you as saying that your classification of middle income is somewhere between a low of nine or 10 and a high in the upper 17 or 18, somewhere in that area.

The proposal of the administration, in this regard, you are fully aware, is to reach within these brackets. If you are talking gross for this figure, as opposed to an adjusted final, you would find, depending upon the size of the family you get into aid, that could help you up into brackets which could be in the $18,000, $19,000 group.

Would you consider, in that circumstance, aid as being middle-income-aid?

Father **Henle.** We are not saying there isn't any aid. What we are saying is the shift is too much in the direction of loans, and that the aid that is available to this group is less than ought to be available.

Mr. **Dellenback.** Let me ask one more question. Do you feel that with this type of aid that would be forthcoming from the Federal Government, there ought to be an absolute cutoff point—up until that point of cut off, one received full aid, and/or one got nothing. Or do you think there should be a stepdown, if you had a slightly higher income it would be less and so on down to the ladder, so that it moved incrementally in balance with what the outside income would be?

Father **Henle.** I haven't given this much thought but I don't believe I would be in favor of a complete cutoff.

Mr. **Dellenback.** You would be in favor of some sort of gradation?

Father **Henle.** Yes.

Mrs. **Green.** Would the gentleman yield?

Mr. **Ruth.** I have yielded the balance of my time.

Mrs. **Green.** It seems to me the point in arguing for flexibility is to avoid an absolute cut off point and allow an institution to make its own policy. The student financial aid officer can interpret it and take into account catastrophic illness, business failure in the family, all of the things that can occur.

The point I would like to make, when I hear my colleagues on the left talk about the administration bill, the administration itself testified that their student aid program would shift the aid away from

300,000 students now receiving it. I think it is absolutely clear, since they are putting the total emphasis on the very poor, that the 300,000 students who are not going to have the aid are going to be from the middle-income families. This is why I am receiving mail from across the country pointing out that the administration bill will make it tougher and tougher for the middle-income students to expect any assistance. I can't interpret that any other way. There is a grandfather clause in the administration bill, saying that, if a student is now getting aid, he will continue to be eligible. This, however, does not help incoming middle-class students.

Father HENLE. I think the institutions I represent, would unanimously agree with you.

Mrs. GREEN. Congressman Brademas.

Congressman BRADEMAS. Thank you for your statement, Father Henle. It is good to see you here.

Let me see if I accurately interpret what I understand your position to be. You straighten me out, if I am incorrect. As I understand it, you favor full funding of existing higher education programs, including student assistance and academic facilities programs, and the several categorical programs. Is that accurate?

Father HENLE. No. I think——

Congressman BRADEMAS. Most of these programs, you say, on page 7?

Father HENLE. Yes. I think there are details in these programs that should be modified and changed but I think, in the main, the main thrust of these programs that have been developed over the last 10 years, the main thrust has been a good thrust and we have covered all sorts of areas of needs and the main point of my testimony was that in addition to recognizing these various kinds of needs, we have recognized special needs like the language institutes and so forth. What we really need to give adequate public Federal support to higher education, is the institutional grant that gives you the bread and butter. Our whole problem is the bread and butter.

Mr. BRADEMAS. You favor institutional aid?

Father HENLE. Absolutely.

Mr. BRADEMAS. That was my next indication of my understanding of your position, but I also read you to be saying if I understand it correctly, that in addition to institutional grants for the purpose of meeting your bread and butter expenditures, you also favor some kind of cost of education allowance that would follow the students assistance or do I misread you?

Father HENLE. Where is that?

Mr. DELLENBACK. Page 6.

Father HENLE. You are referring to No. 4?

Mr. BRADEMAS. That is correct. In other words, you are not making your support for institutional assistance of a general kind exclusive of your support for what the Kerr Commission people call a cost of education allowance.

Father HENLE. I wouldn't read that necessarily as excluding that kind of thing on special circumstances. I would hope in cases of the cultural disadvantaged, there would be a special sort of program to enable us to do the sort of things we were talking about a few minutes ago. If I had a priority, the priority is the across-the-board institutional grant.

Mr. **Brademas**. What does it cost to send a student to Georgetown for an academic year; tuition, room and board, travel, for an undergraduate student?

Father **Henle**. Without travel it would be $3,500 to $4,000.

Mr. **Brademas**. One reason I ask that question is that although I am sensitive about the point you make here in your statement to which the chairman has addressed herself, about the dangers of polarizing the population on campus between the rich and poor—even if you give the poor student the whole amount, the whole Federal ball of wax, it is so expensive to go to some of the private institutions like yours, or many others you have named, that they are still not going to be able to make it, and what I find is some student aid officers telling me is, if we move in the direction of having all of the aid go to the very poor, they are going to have to take money out of their own institutional student assistance fund and sock it into the very poor students to supplement the Federal amounts of money, thereby making it difficult for them to continue helping middle-income students.

I would ask unanimous consent to include at this point in the record, the text of a letter to me from R. G. Gibson——

Mrs. **Green**. This is so ordered, and I think it is a very important point.

HARVARD COLLEGE, FINANCIAL AID OFFICE,
Cambridge, Mass., March 11, 1971.

Hon. JOHN BRADEMAS,
Rayburn House Office Building,
Washington, D.C.

DEAR JOHN: Since I know the Education and Labor Committee is holding hearings, I want to send along just a few comments on the President's recent proposal for student financial aid. The potential consequences for private higher education are serious indeed, and your Committee needs to have full awareness of what they are.

I don't think any person can argue against the President's desire to get more funds to the students with the greatest financial need. Colleges have been using sophisticated financial need criteria for many years, and more can always be done. The essential ingredient is simply money. However, special difficulties develop as his program affects private colleges and universities.

In place of colorful generalizations, let me draw a little on our experience at Harvard. Three things should be said about Harvard College and its under-$10,000-family-income students:

(1) The College can hardly afford to spend more money on this group. There are approximately 600 scholarship students among the undergraduates who come from families with incomes under $10,000. Our total cost per year (all expenses included) now approaches $5,000 per year. Of this amount, we expect students to earn $1,200 in term-time and summer work. Loans are available when students can't find jobs. Scholarships for these students, therefore, run from $3,700 to $3,000 per student, for a total cost of something over $2 million. With college and university budgets as they are, and with future cost increases predicted for each year into the foreseeable future, we will be very fortunate indeed to be able to continue to support this number of low-income students.

(2) The President's program offers us no additional help for this group of students. Please note that for these students, we are now receiving EOG grants and Work-Study funds from which they are meeting their term-time and summer earnings expectations. When they need to borrow, we have been able to offer NDEA loan funds. Hence, the University will be receiving no more federal support than at present for students in this financial need category.

(3) The President's proposal that students be able to borrow $400, plus an additional $1,400 if they attend a private university, offers an alternative that is really no alternative at all. If students did in fact accept these loans so that we could reduce our scholarship awards, they would leave college with total loans in excess of $7,000. No student from a poverty background is knowingly

going to choose this alternative if he can go to a state college or university and have only minimum loans by the time he graduates. It is really quite an unrealistic proposal.

The conclusion, therefore, is that Harvard (and many other private institutions) will not be able to admit any more low income students (and may well have to admit less) under the President's program, and in fact the program offers very little additional help even for the students who are presently enrolled from low income families. Perhaps it is understandable that we are speechless when people expect us to generate enthusiasm for this proposal.

It would be one thing to say that much, but the consequences reach considerably further. No one needs to rehearse the financial plight of private institutions, and the urgent need for federal help. The President's proposal, however, will actually hurt what we are trying to do. If Work-Study funds are redistributed under his plan, it means that private institutions will qualify for lesser allocations because of limitations on the number of low income students we can admit. A recent proposed rule from the Office of Education reduces any flexibility we have in the allocation of funds by specifying only "gross income" as the measure for estimating need. This is an oversimplified and inadequate tool, and obviously works to the disadvantage of families with many children, with several children in college, or with unusual emergency expenses. The net effect of the President's proposal and this new rule would be that Work-Study funds will be withdrawn from many low middle-income students, as will low-interest loans. This withdrawal would coincide with increasing college costs, so that middle income families will have ever fewer resources upon which to draw.

Middle-income families are really the forgotten people in higher education at the moment. Increased costs are being shifted to them, but you well know how difficult it is for students to find well-paying summer or term-time jobs. If we offer them the hope of borrowing at prevailing interest rates, we will soon see the day when students are leaving college (not graduate school) with total loans of $6,000. That in itself is an awesome figure, but then consider that if they repay this loan in 10 years at 8%, they will have repaid a total of more than $10,000. Costs piled upon costs will leave these families simply unwilling or unable to consider any opportunities in private higher education.

Private colleges and universities, therefore, are being hard pressed to maintain their support for students from low income families, and are unable to move significantly to meet the increasing needs of those from middle income families. The future is ominous indeed.

This is all very ironic because it is clear that substantial additional financial support must come from somewhere if sufficient higher educational opportunities are to be available. If many low income students go to state universities, if increasing costs make middle income students turn to state universities, large subsidies will be needed there. Moreover, it is not as though additional financial support is needed by private but not by state institutions. Presumably subsidies to state institutions will come in the first place from state tax revenues. Yet even in state institutions, financial support seems to be limited and federal help of some kind is only around the corner (either in direct aid or in some form of revenue sharing).

The effect of the President's proposal, therefore, is to shift much of the responsibility for the financial support of higher education to the state, and severely to undercut private institutions in this country. It does seem that this could be interpreted as an expendient measure which has the effect of saving money in the federal budget at the expense of private colleges. It is an effect that could seriously undermine private education while only buying time until even state universities will have to plead for federal support to meet their obligations.

To sum up. The President's proposal is to be commended for its good intentions with regard to low income students, but very clearly it is thoroughly inadequate as a whole. It moves to meet an immediate problem without taking account of the serious consequences for private colleges and universities. Its effect will be to sacrifice private institutions in the short-run without meeting the real financial crisis in higher education in the long-run.

This is a blunt letter, but surely now is the time for realistic bluntness. We urgently hope that your Committee will take a broader view of the total needs of higher education in this country.

Yours sincerely,

R. JERROLD GIBSON.

Father HENLE. I would like to stress that. That is one reason we have had trouble increasing the percentage of black students at Georgetown. Even though we get lots of assistance for them, we have to squeeze additional help out of our private funds which are extremely limited. We dedicate 20 percent, are dedicated to the cultural and economically deprived. We also have a program which our faculty and affluent students run which supplies additional funds. If we did not have that, we would have even fewer black students than we now have at Georgetown. Many cases, also, it is board and room and books and everything that we have to supply, so I think your point is extremely well taken.

Mr. BRADEMAS. Having said that, let me go ahead to make clear my own attitude, and that is that I think it is most unfortunate that our subcommittee has been put in the posture of appearing to have to choose between poor and middle income students. I am strongly in favor of helping both groups of students and I don't want to trade off poor kids for middle income kids, and vice versa, and if the administration says we can't afford both, my attitude is that is their problem. They should go find the money someplace else.

You have talked about institutional aid. One of the recurrent problems we found in testimony before this committee is should the institutional grants go on an across the board basis, which is represented by Mrs. Green's bill, which a number of us are cosponsors of, should there be some need factor? We should take into account the needs of the institution, two of our witnesses said. What do you say about that?

Father HENLE. I thought of that and I think you can advance very good reasons for that position. Part of my problem is it is extremely difficult to get objective forms of need. University accounting is one of the mysteries of the world, and the effort to evaluate exactly the financial situation of an institution is extremely difficult. One of the guidelines I forgot to put in here when I was talking about this, is whatever is used ought to be something that is administratively feasible, and fairly simple. That is why—after all, we all count heads and make a report to the Office of Education. Take the Office of Education and find out how many heads we have. That is rather objective a fact we can deal with. Take the number of degrees we have granted, that is a matter of public record. When you begin to talk about need, I have not been able to, in my own mind——

Mr. BRADEMAS. You are not alone. We have found the same response from every witness. I note page 8, where you endorse direct institutional grants—you say:

> To encourage innovation alone is praiseworthy but to put the emphasis on innovation at this time is like offering to help a starving man develop a cuisine of new recipes.

This statement recalled to my mind the statement in the January 1971 paper by the National Association of State Universities and Colleges, and the American Association of State Colleges and Universities, that if colleges and universities have a firm financial basis, that will enable them to undertake innovative enterprises; that unless there is a firm financial basis, it will be difficult to make innovation. which, after all, costs money. I take it you would be on all fours with that statement and I read that coupled with the fact you haven't used the phrase, "National Foundation for Higher Education," as reflecting a lack of enthusiasm for giving priority to that.

Father Henle. Yes, as a priority matter. I am so convinced there is a crisis at this point, if we had $100 million, I would put it in institutional grants rather than the foundation. I quite agree that an institution that doesn't have basic stability in its operational budget funds—innovation is not only a luxury but a burden.

Then the money is gone and the innovation disappears. The converse of that, a financially stable operational budget over a period of years is necessary, before we dare innovate within the institution, but I am not certain that will insure innovation. There are other factors—some institutions, I think, probably will be, I am certain, innovating——

Mr. Dellenback. Will the gentleman yield?

Mrs. Green. He has 1 minute left.

Mr. Brademas. Yes.

Mr. Dellenback. Let me ask one question directly on the point—you see the institutional need for help, now, as being an emergency program at the moment, that needs to be helped now, and then, not in the future, or have to be continued infinitim?

Father Henle. I don't think it will ever totally go away. If we accept the principle that private institutions must be kept alive——

Mr. Dellenback. There will always be a need?

Father Henle. Yes. It might be decreased or, it depends a great deal on what the States do.

Mr. Ruth. It was Mr. Brademas' statement that he wants to tell the administration just to have the money for middle income and other people. If we are going to say it is up to the Administration to have the money available for middle-income people, I am not against this, but I am exploring this—if it were absolutely mandatory that this money be available, we have a great many middle-income people who would qualify, but who are still in a position to pay their youngsters' way to college. If this is any kind of businessman at all, he would take advantage of this program, which is at a pretty good interest rate. He would put his money in phantom-made bonds and take advantage of this program, and would have a little more accumulated. Does this bother you at all?

Father Henle. Are you speaking of the guaranteed——

Mr. Ruth. No. If this money became available to everybody, regardless of need, we are talking about middle-income people, and I know many middle-income people who could, with a slight sacrifice, send their youngster to college, but it is not——

Father Henle. I don't think anybody is talking about doing this regardless of need. We are saying a need does exist.

Mr. Ruth. I said I was referring more to Mr. Brademas' statements—doesn't it bother you that somebody who could afford it, decides it is good business to take this loan, since I could do it without——

Mr. Brademas. I don't think the record will show that I said that the money should be made available to anybody that wanted it.

Mr. Ruth. No—middle-income people. You know one of our most difficult problems is determining who is——

Mr. BRADEMAS. Mr. Quie was touching on a point, I think, our subcommittee should give more attention to—what is it we are really talking about when we say poor and middle income. If we could get some agreed upon set of definitions, which we in the committee and the administration were both in agreement with, that would help us.

Mr. RUTH. The witness would know about this—many people send their children to college, but it is necessary to have a loan.

Father HENLE. This is why I think the financial aid officer has to have flexibility so he is not tied down to something that would enable this to happen. It would bother me very much, indeed. If we so managed our affairs that this was a common occurrence, I would feel very bad indeed.

Mr. RUTH. This opens up a whole new kettle of fish. Here are two families that make $10,000 a year. Here is a man who is frugal and he has saved $10,000 and he is not entitled to a loan at all.

Mr. BRADEMAS. May I ask the unanimous consent to insert in the record, following my colloquy with Father Henle, the January 1971 joint statement to which I referred?

Mrs. GREEN. Without any objection, it is so ordered.

(The statement referred to follows:)

THE CASE FOR EDUCATIONAL SUPPORT

A Joint Statement by The National Association of State Universities and Land-Grant Colleges and The American Association of State Colleges and Universities, January, 1971.

As higher education and the Federal Government join in a partnership to educate our most impoverished young people, it is necessary that the character of the problem be clearly understood. It would be cruel indeed if the hopes of young people were raised by promises which cannot be kept because institutional resources are not adequate to meet them. If fiscal constraints seems to preclude the provision of adequate support, we should tax ourselves to provide the funds. In any event, there must be a proper mix of funds for student assistance, capital investment and operating costs in order to educate as many additional students as possible. Providing money only for students will magnify the other two needs, not make them go away.

In his 1970 higher education message to the Congress, President Nixon stated as a national goal that "no qualified students who wants to go to college should be barred by lack of money." We support this goal wholeheartedly. But lack of money in the hands of the student is not the sole barrier to his going to college. There must be a place for him at an institution of higher education, and there must be teachers to instruct him, and books for him to read. If a genuine opportunity for a higher education is to be provided him, a realistic appraisal must be made of what is essential to achieving it.

We recognize the need for many kinds of post-secondary education, but will address ourselves to the kind provided by colleges and universities, because we have a responsibility for that. We also recognize the need for change in higher education and believe that the proposed National Foundation for Higher Education can help to bring it about. But the present generation of students cannot wait for an improved system in some indefinite future.

The colleges and universities of America make up a higher education system that is loosely knit and varied. Our concern is with legislation being designed for this system. Since its need will change as time goes by, we must frame a broad, flexible system of Federal support which can be adjusted to meet the needs at any given time by amending appropriation levels and administrative regulations. We should not design long-range legislative authority in response to immediate budgetary pressures.

The first indispensable element in our higher education system is students. The President has proposed to expand Federal student assistance to the least affluent in our society. If his program succeeds, he expects a million students to present themselves to institutions of higher education in the next five years who would not otherwise have done so. This means 16 new students for every 100 now enrolled full-time. What happens then depends on what is done in the meantime to provide the institutions with the operating funds and facilities which also are indispensable to the system.

No institution charges all its students the full cost of their instruction. An additional student, therefore, is no financial boon to a college, instead he represents an additional cost, which, somehow, must be met. To the college, success in meeting the goal of wider enrollment results in fiscal hardship.[1] Even if not a single student is added to future enrollments, colleges are strapped for operating funds today because of the very substantial enrollment increases in the past years.

It is vitally important that the present situation of the higher education system be fully understood. A million and a half students have been added to enrollments since 1965. Institutions are stretched to the breaking point from this influx of students and rising prices which escalating tuition charges have not been able to match. The 118 NASULGC institutions were forced to turn away 87,000 qualified students in the Fall of 1970 and many state colleges faced the same problem. While it is true that some private institutions could take more students, their combined spaces would not come close to solving the problem. Restated bluntly, if the Federal Government did not help a single additional student to go to college, the higher education system still would face financial strains of crisis proportions. If the Government adds to those strains by providing aid only for students, the predictable result will be disappointment for hundreds of thousands of young people.

When money is scarce, it has become popular to talk of "support for people, not things." The popularity of this view is evident in a report of the National Science Foundation published in September, 1969. This reveals that since 1967 the increase in Federal support of institutions of higher education has been less than the increase in the price level.[2]

What is needed now from the Federal Government is support to institutions to be used to meet their essential educational needs. It should be understood that while cost-of-education grants to provide compensatory education for disadvantaged students are necessary, they do not constitute aid to the institution. They merely pick up the specific extra costs required for educating this kind of student.

What are the alternatives to general aid to the institution? One suggestion has been made that tuition be increased to cover the full costs of education, with long-term loans to students to enable them to pay the charges. But this, in effect, would be taxing the present generation to help amortize the cost of the plan to be used to educate future generations. It makes the institution a marketplace where the student as consumer has the exclusive right and the power to decide what is "relevant." It rests on the mistaken belief that only students benefit economically from higher education, a belief which ignores the substantial benefits to society. And, finally, it undoubtedly will reduce the number of students—just the opposite of the President's goal.

Another suggestion is that categorical aid (projects grants) aimed at a public purpose be the sole means by which the Government helps institutions meet the burdens imposed by rising enrollments. The basic flaw in this approach is that support for specific categorical programs, such as research, does not add to, and may actually reduce, the general financial capability of the institution. Project grants have been, and will continue to be, essential to higher education, but they alone cannot fulfill the institutions' needs. Further, grants which can be used only for specific enumerated purposes may lead to a distortion of the activities of the institution, as the President himself has observed.

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[1] *The New Depression in Higher Education* by Earl Cheit (a Carnegie Commission Report to be published about February 1, 1971, by McGraw-Hill) discusses this phenomenon. It describes, also, how the institutions are under more severe cost pressures than the surrounding and supporting economy; how the cost per student increases due to the growing responsibility of the colleges and universities in response to the demands placed upon them by the public.

[2] *Federal Support to Universities and Colleges* (NSF 69–32) Increase of Federal Support Obligated by All Agencies: 1964, 15 percent increase over 1963; 1965, 41 percent increase; 1966, 30.6 percent increase; 1967, 10 percent increase; *and 2 percent for 1968, 1969, and 1970 actual and estimated.*

SOME PRINCIPLES FOR OPERATING GRANTS

At this juncture it should be useful to elaborate on what we are talking about—and what we are not talking about.

One: We are proposing Federal aid directly to all institutions, private as well as public. We are not suggesting revenue sharing with the states in this instance, meritorious as that may be. Operating grants should be made on the basis of objective, easily measured factors. Since the amount of the grant would not be discretionary, but determined by the application of objective criteria, there is no point in having the grants distributed by the states. This would merely add another administrative layer to the distribution process.

Two: We are not recommending the substitution of aid to institutions for aid to students. We do not believe aid to institutions is separable from aid to students.

Three: We are not suggesting aid for operating expenses as a replacement for aid for construction of buildings. Buildings are as necessary to accommodate students as the wherewithal to make up the difference between what the student pays in tuition and the operating costs of the institution.

Four: Operating grants should not be restricted to any category of educational costs, such as faculty salaries, innovative programs, interest on indebtedness and so on. Operating grants should be unfettered funds, which each particular institution could use where and as needed to educate its students and operate its facility.

Five: All regionally accredited institutions of higher education should be eligible for operating grants. Each type of institution serves a purpose, or a mix of purposes, important to society—from short-term vocational training to the education of Ph. D.'s in science.

While it may be argued that non-accredited institutions should be eligible for grants, since they are part of the nation's resources for higher education, the considerations to the contrary appear more persuasive. First, if the door is opened to payment of a grant to non-accredited institutions, it will be most difficult to draw the line between those which are and are not eligible. Second, accreditation is a usable and acceptable criterion of an institution's current capacity to provide education of at least the minimum standard quality. Finally, the problem of attaining accrediation could best be approached by a form of support specifically for this purpose, such as the program of aid to developing institutions.

Some kinds of education are more costly than others, which has led some persons to the belief that operating grants should be concentrated among those institutions whose costs per student or per degree are less. This is superficially attractive from a "cost-benefit" point of view, but it is based upon a largely-known measure of benefits, to society as well as to students. Furthermore, the financial status of an institution is not always a guide to its need for greater income. Institutions may cut the quality and range of their academic programs to fit their financial resources. Therefore, a balanced budget is not an adequate guide to an institution's real need for funds.

Six: Operating grants will encourage innovation. A central barrier to innovation in higher education is that it costs money. Unless an institution has a reasonably firm financial base, it cannot afford to devote the leadership, talent and money to experimenting with new methods and devices.

Seven: Institutions should be accountable for the funds they receive in operating grants. Institutions of higher education already are accountable in varying degrees to their students, the students' parents, alumni, donors, foundations, trustees, the Federal Government, and, in the case of state institutions, to their legislatures. The addition of Federal grants for operating costs would merely add another link to this accountability chain. Nonetheless, higher education stands ready to work with others or on its own in developing guidelines for holding institutions accountable for the operating grants they receive.

THE SIZE OF THE PROGRAM

A program for support of operating costs should provide a significant contribution to the general educational expenses of all eligible institutions. The minimum annual payment should be large enough to permit meaningful contribution to the institution's educational capability.

A grant in the range of 4.5 to 5 percent of the general educational expenses is a reasonable level. A grant at this level has been found to provide significant, though not sufficient, assistance under the New York state program of institutional assistance. (The limitation of this program to private, non-sectarian, four-year colleges and universities does not invalidate the utility of such support for public as well as private, and two-year as well as four-year institutions).

The general educational expenses of institutions which would be eligible for grants approximate $10 to $12 billion annually. Accordingly, a grant in the 4.5–5 percent range would require from $450 to $600 million. Another approach to determining the size of the program may be made by extrapolating the New York state formula nationally and covering all types of institutions. This also suggests an initial Federal appropriation of $500 to $600 million.

How such a total sum would be distributed among institutions depends upon the formula used. The urgency of obtaining additional funds for operating expenses is so great that the details are secondary. A formula satisfactory to all major elements of higher education can be worked out. For example, a formula based heavily on undergraduate enrollment will tend to favor large institutions. One giving heavy weight to the production of Ph. D.'s will tend to favor institutions with extensive research and graduate education.

The bill sponsored by Representative Albert H. Quie (H.R. 16622) in the 91st Congress would provide approximately $226 million annually. As the table shows it provides relatively low amounts per institution, and so is *not a satisfactory* level of appropriations. The last two columns of the table show the relative effects of two formulas which would distribute about the same amount—namely, the Quie bill with a $532 million appropriation, and a modified New York state formula with a $510 million appropriation. The Quie bill emphasizes undergraduate enrollment; the modified New York formula gives greater emphasis to graduate degrees.

As these tabulations show, an objective formula can be developed and modified on the basis of experience.

A final word—if the Administration's announced intent to add one million low-income students to institutional enrollments is realized, this will increase institutional expenditures by $1.5 billion, figuring instructional costs conservatively at an average of $1,500 per student per year. If, as seems probable, most of these new students attend public institutions, with fees averaging $330 per year, then $330 million will be paid to the institutions in student aid funds. This would leave the institutions with a $1.17 billion deficit, representing the difference between the cost of instructing the additional million students and the tuition they pay.

PAYMENTS TO A SELECTED SAMPLE OF INSTITUTIONS

Institution	Quie bill as written	Quie bill with $532,000,000 appropriation	Modified New York plan with $510,000,000 appropriation
Public universities:			
Delaware, University of	$346, 000	$692, 000	$780, 000
Florida State University	645, 600	1, 291, 200	2, 298, 000
Nebraska, University of	547, 400	1, 094, 800	1, 888, 000
New Hampshire, University of	304, 900	609, 800	622, 000
N.C., University of (Chapel Hill)	570, 700	1, 141, 400	2, 109, 000
Ohio State University	825, 400	1, 650, 800	4, 647, 000
Oregon State University	528, 200	1, 056, 400	1, 755, 000
Purdue University	642, 500	1, 285, 000	3, 762, 000
Washington State University	524, 000	1, 048, 000	1, 465, 000
Private universities:			
Bradley University (Illinois)	337, 300	674, 600	577,000
Brandeis University (Massachusetts)	162, 400	224, 800	430,000
Denver, University of (Colorado)	383, 200	766, 400	1, 135, 000
Harvard University (Massachusetts)	414, 600	829, 200	3, 690, 000
Northeastern University (Massachusetts)	513, 200	1, 026, 400	1, 419, 000
Northwestern University (Illinois)	468, 000	936, 000	2, 403, 000
Southern Methodist University (Texas)	326, 800	653, 600	648, 000
Tulane University (Louisiana)	294, 100	588, 200	1, 006, 000
Washington University (Missouri)	374, 600	749, 200	1, 214, 000

PAYMENTS TO A SELECTED SAMPLE OF INSTITUTIONS—Continued

Institution	Quie bill as written	Quie bill with $532,000,000 appropriation	Modified New York plan with $510,000,000 appropriation
Public 4-year colleges:			
Alabama A. & M. College	78,500	157,000	$117,000
City Co.—Cuny	701,200	1,402,400	2,448,000
Fresno State College (California)	507,400	1,014,800	1,017,000
Georgia Institute of Technology	381,800	763,600	622,000
Louisiana Polytech Institute	270,700	541,400	462,000
Northwest Missouri State College	238,000	476,000	312,000
Western Illinois University	290,200	580,400	445,000
Wisconsin State University (Whitewater)	232,000	465,800	441,000
Private 4-year colleges:			
Athens College (Alabama)	59,500	119,000	87,000
Earlham College (Indiana)	112,000	224,000	132,000
George Williams College (Illinois)	40,000	80,000	52,000
Harding College (Arkansas)	118,000	236,000	135,000
Iowa Wesleyan College	100,400	200,800	124,000
Mills College (California)	69,500	139,000	94,000
Oberlin College (Ohio)	239,200	478,400	309,000
Rider College (New Jersey)	230,200	460,400	345,000
Vassar College (New York)	178,400	356,800	223,000
Public 2-year institutions:			
Black Hawk College (Illinois)			162,000
Bronx College-CUNY			331,000
Corriton College (California)			523,000
Indian River College (Florida)			62,000
Modesto Junior College (California)			237,000
Tylor Junior College (Texas)			190,000
Private 2-year institutions:			
Freed-Hardeman College (Tennessee)			55,000
Hannibal La Grange College (Missouri)			55,000
Hiwassee College (Tennessee)			51,000
Keystone Junior College (Florida)			48,000
Lincoln College (Illinois)			27,000
Monticello College (Illinois)			27,000
Multonomah College (Oklahoma)			138,000
Wentworth Institute (Massachusetts)			174,000
Wingate College (North Carolina)			109,000

Mrs. **Green**. Congressman Quie.

Mr. **Quie**. First, I want to say I think Congressman Ruth makes a good point—how you finally determine, when you set certain benchmarks, who is actually in need. I know it is a problem to set a formula on the part of the Federal Government for financial aid officers. I don't think every financial aid officer is always the most competent person.

Father **Henle**. I think every field has its incompetents.

Mr. **Quie**. I happen to know of a few situations where people who didn't appear to me to qualify have gotten grants under EOG, but I guess we make mistakes.

I would like to go to institutional grants. I first want to say I introduced, as you know, the bill which provides aid to the college according to the number of degrees granted. While I figured that was one basis of doing it, I said all the way along, I am not tied to that and would not refuse to move to something better, and I also look with favor on Mrs. Green's suggestion which provides aid based on enrollment and dependent upon credits earned rather than securing the degree; so, we are within workable differences here. I think we will work out a bill that is acceptable.

Father **Henle**. Mr. Quie, you know I appreciate your support and interest in institutional grants. There is one difference that I would like to call attention to.

Mrs. Green's formula would be more substantial in its support of our institutions than your formula would allow, and may I just give you an instance? As we figured it out under your formula, Boston College last year would be eligible for $450,200. Under Mrs. Green's formula, Boston College would be eligible for $1,292,000.

Mr. QUIE. What total appropriation did you base that on? Did you count on full funding of both proposals?

Father HENLE. The formula as it exists in the bill.

Mr. QUIE. Have you watched educational legislation and seen how close we have come to full funding?

Father HENLE. No. I am just taking the merits of the formula. In Boston College, last year, they had a $3 billion deficit. This would be a significant consideration to an institution. I am sure Boston College would accept $450,000.

Mr. QUIE. I think you, moreover, ought to make a comparison based on the fixed amount of appropriation since both of them would be prorated down. Mine was based on the assumption you could only get $350 million for this program. If you were going to get $190 million you could just trim the program for graduates. I think we ought to try to determine which class of institutions has the greatest need. I understand from your answer that you find it difficult to determine the definition of need as well.

Father HENLE. What objective criteria would you use. Long before this thing became a well-known national crisis back in 1965 I was already then concerned about the plight of private institutions. I made a study at that time of the 42 private institutions which are generally listed as the outstanding ones in this country. I made a study of what I thought their economic future was. This was before the Government began to cut the research proposals and at that time we thought the programs were going to be fully funded. The conclusion of my study was there were only 13 in that amount that had a rosy financial future. The others were all headed for difficult financial future and I submitted copies of that to begin thinking of salvaging this. I did not take into account the inflation or a lot of other factors that have since happened to us.

This crisis we are talking about now is not something that happened suddenly. It is merely due to the fact we have a cut, we have a tremendous expansion of research of that. We never had that much research in our institutions. The cutback in the research grants is not hurting us except in our medical centers all that bad. The crisis has long been with us and these institutions, the private institutions have been aware of it. In some institutions, as you know, they have been preserving themselves by selling pieces of their property, by using their funds functioning as endowment, and that is why at this time many of them are right at the brink because they have no more reserves, but they have been using them up over a period of years.

Mr. QUIE. You said, in your point 3 in the guidelines:

> The formula should provide assistance of significant importance to the operational budget but without taking over that support which we should rightly expect from the private sector.

Do you mean that support which private institutions would expect from the State legislature?

Father Henle. That is right.

Mr. Quie. What can we do with an institution that does not have as great a need as another? I don't think that is going to be as bad as the reduction of higher education financing on the part of the State legislature.

Father Henle. That is a problem. I can't answer that. I really have no solution to it other than keeping the contribution at a reasonable level, where it is significant, but not overwhelming. That is why I brought up the case of Boston College. If it runs a $3 million deficit, I don't think the Federal Government should underwrite that whole deficit. I think they ought to do something about it and they have got to get private funding. In my own fundraising for Georgetown, we have got to get more money for the private sector. These two things, taken together, would maintain us. I would be very unhappy if we owed our existence, totally to Federal funds.

Mr. Quie. If we based the aid entirely on need, like we do with students, wouldn't there be a tendency, then, to suffer the same consequences with institutions as Congressman Ruth was talking about with two individuals with the same income, one frugal, the other not?

Father Henle. Obviously, you know, we have got to be careful that we don't—I thought at one time that maybe one of the factors determining this would be the per student amount of endowment an institution had. The institution has a billion-dollar endowment, institution has a $20 million endowment, and they have the same enrollment, but I can see that having an inverse bad effect on the way an institution might start using its funds. At the time we are motivated to build up an endowment and on that formula the Federal funds would go down and——

Mr. Quie. Let me ask you if you did receive something around $450,000, what would you use the money for?

Father Henle. I would put it into general funds to offset the operational deficit. That is what I do right now because we have got a deficit. Next year we are balancing our budget by a whole series of strategies, part of which is Federal funds for our medical and dental school, where the deficits are getting completely out of control. Part of it has been holding salaries down. If we had additional funds, that deficit would not be that obscure because we are almost the lowest in our salaries in the District in comparison with the other universities. This would be dangerous. I would use some of these funds to increase faculty academic salaries. We are paying a fairly comfortable rate but not really, in my opinion, living up to social justice. So, right now, if you gave me $500,000, it would disappear in a deficit.

Mr. Quie. How much Federal money do you receive presently from various categorical——

Father Henle. I could give you a figure which includes all of our sponsored research and programs, except for scholarship money, it runs around $12 million. That includes the medical school, which gets a large part of that, the dental school, and the nursing school. I couldn't tell you offhand how much money we get from various Federal programs.

Mr. Quie. Is any of that money commingled?

Father Henle. What does that mean?

Mr. QUIE. That is the constitutional problem we run into in providing aid.

Father HENLE. You mean is it categorical?

Mr. QUIE. Yes.

Father HENLE. It is practically all categorical.

Mr. QUIE. The only possibility you might have in commingling, is in the national science program?

Father HENLE. We assign that pretty much on a categorical basis inside of the institution so it really doesn't—you mean commingled simply as general funds?

Mr. QUIE. Yes.

Father HENLE. No; we keep that as a separate fund. When a piece of equipment is needed in the physics department—the use of that money within the categories of the National Science Foundation, can always be demonstrated in our account so it isn't commingled.

Mr. QUIE. The Supreme Court will hopefully be making a decision some time within a month that is going to solve some of our worries anyway, if they go the right way. Have you asked any of the people in your law school if they see a problem of commingling?

Father HENLE. I don't think I have asked anybody because I don't think we have really been faced with the problem at Georgetown because we don't have any commingling. Even the money that has been appropriately authorized to meet our medical school deficit, in the actual use of that money, we have to allocate it so that we can show HEW exactly where we are using that money, so even that, although it is intended to meet a general deficit, it has to be fitted into categories on the side so its use is not simply a disappearance into the general fund. This would be quite possible at $480,000, if we had that kind of formula. This is the amount of money we would get now, that the Office of Education would ask us to submit the usage of that money. We could do it the same way we are doing it in the medical school, so it would not be commingled.

Mr. QUIE. I would prefer if you could commingle it, but I just wondered if you thought that would be a problem.

Mrs. GREEN. Let me turn to a couple of other things. I think, basically, I would favor a needs test for institutions of higher education for institutional aid. One of the reasons I delayed introducing a higher education bill was that I could not come up with a needs test that I thought would be satisfactory. Now, if anybody in the field of higher education could provide a needs test that would really work, I would be the first one to incorporate it into the bill. Lacking a needs test, that would be equitable and fair, I finally put in the formula which I did. There has been the proposal repeatedly made that the institutional grant accompany every student who is receiving EOG or work study assistance.

I realize there are some students on EOG's and work studies who need compensatory education. I reject the theory that this is a formula for institutional aid—that it ought to accompany every EOG or Work Study. Inherently we are saying all poor students are stupid and have to have special assistance. That is not a theory I could defend or support. There are lots of poor students who need financial aid, who are just as bright as the sons or daughters of the wealthiest, I don't see the logic of that argumentation.

Coupled with that, let me explore two things not in the bill. One is the title III for developing institutions, and I have not thought this through, but it occurs to me as a possibility that we might have a second section in that title which would set aside funds for compensatory education for institutions which are developing programs for students who need the special help.

Would you have any comments on that? Do you think that would deserve consideration?

Father **Henle**. You mean this would be money for special educational programs for the culturally disadvantaged within developing colleges?

Mrs. **Green**. Yes. It would be—I am not saying that an institution ought to get an institutional grant for an EOG or work study——

Father **Henle**. I think that is a very bad formula and I agree with you on that.

Mrs. **Green**. But this would be for a limited program for special aid to youngsters who have not had——

Father **Henle**. This would be in addition to a general institutional aid?

Mrs. **Green**. It has nothing to do with institutional aid.

Father **Henle**. Yes; I think I would favor some sort of a program of that kind but I am not quite clear why you would want to make it specifically for the developing college.

Mrs. **Green**. No. It would put it in title III.

Father **Henle**. Any institution that was running a program of that sort, like the one we have here in the District in several of our institutions, the college preparatory institutions we deal with, get to high school youngsters during two summers and locate them. I think this would be very helpful.

Mrs. **Green**. Let me follow up, now, and I am really just exploring this. You have responded to a question from Congressman Brademas that the cost at Georgetown is somewhere in the neighborhood of $3,500 or $4,000. We had President Hester, I believe it was, of New York University, who said the average cost was $2,280, but if you were to provide compensatory education, you would have to add $3,800. If the cost for the average student is somewhere between $3,500 and $4,000 at Georgetown, would you use that additional 25 to 30 percent, if you were to provide compensatory education?

Father **Henle**. I wouldn't like to try to approach it on a percentage basis.

Mrs. **Green**. But it would cost more than the $3,500 or $4,000?

Father **Henle**. You understand, that is what the student pays, not the cost of education of the student.

Mrs. **Green**. Yes; I understand.

Father **Henle**. I am not sure I would want to base this on either a percentage of what the student pays or what it costs. I would make this a categorical grant.

Mrs. **Green**. What is the actual cost to educate a student at Georgetown?

Father **Henle**. Undergraduate schools, we don't have. Mr. George Calley is working on that formula, but my guess is that the academic cost of the student is somewhere around—this is dropping out board and room, somewhere around $4,000 to $4,500, but——

Mrs. Green. The part that troubles me, in appropriating funds for compensatory education at the university level for students who are capable of doing eighth- or ninth-grade work, is that the cost is so high. Why is it in the national interest to provide the compensatory aid at a university cost when surely we could provide compensatory aid at a high school cost? The only answer I have been given is it makes them feel good to be enrolled in a college. That does not seem to me to be a sufficient answer.

Father Henle. I wasn't thinking at all that these compensatory programs would be addressed to students that could only do eighth-grade work. The only compensatory program I would be interested in is one which works with students who are close to doing the level of college work, but would be killed in an ordinary freshman program. Nurses—these girls we get are not of an eighth-grade level. Their reading habits may be very good, their scientific training is poor. If, in one summer, we can make it possible for them to survive a 4-year university level, it is well worth it.

Mrs. Green. I think I am in agreement with your views.

Father Henle. That is the only kind of compensatory program we would be interested in.

Mrs. Green. We are talking about a national program. I need only remind you City University of New York has open admissions and, I am told, many of the students enrolled there do not anywhere near meet ordinary university and college enrollment requirements. I have referred to one General Accounting Office study of a special program in California where the average level was a fifth-grade reading ability. I find it a little difficult to say, as a national policy, we ought to provide the funds for compensatory education at university cost for these students.

Father Henle. I agree with you, I don't think that is the business of a university and particularly in view of all of the overhead of a university which should not be brought to bear on that kind of a program. Actually, we do have a program for the teachers of the high schools in the inner city to deal with the problem of the language penalty of people who really are in a subculture of that kind of reaching into the lower grades, which makes sense to me.

I don't think we ought to bring people on our campus and put the whole machinery of a university back of a program to teach sixth-grade reading. That is why I would like to tie whatever program you are thinking of into programs that would have to justify themselves individually both as to what you propose to do, rather than percentage basis, some of these programs are very good and some are very poor.

Mrs. Green. One other question with respect to the recommendation for the Foundation, I think I am more leary of it after listening to Secretary Richardson's testimony. It would now be a Foundation for reform, and those institutions which receive grants will be those which are willing to change. I read into that that it will be those institutions that are willing to make the changes that the Advisory Board of the Foundation has decided are desirable. It seems to be inherent in this there is a lot more Federal direction. As an alternative, what would be your reaction, and I did not put it in the bill, to a

National Advisory Committee, Presidentially appointed, that would have, as their responsibility, language planning for higher education? They would have the funds to operate this Advisory Commission but they would have no power to make grants. They would do the long-range planning and make recommendations to the White House, to the Secretary of HEW, and to the Congress?

Father HENLE. Well, let me say your first description of the Foundation frightens me, too. I would be very much opposed to a situation where you got grants provided you made—I think this would be a hopeless invasion of the university, if that is any idea like that in it. I was in favor of the Foundation as a research instrument but not as a direct reforming instrument.

Mrs. GREEN. I do suggest that the Secretary's recommendations to the Congress have changed from last year. He has definitely said it is not research. It is the National Institute of Education that would handle research. The Foundation would be entirely for reform.

Father HENLE. I thought the institute was largely elementary and——

Mr. BRADEMAS. No, that is not accurate. It is supposed to deal with all kinds of education, from preschool to graduate school. There are no limitations envisaged in the original proposal of the President or in the study——

Father HENLE. I misunderstood that then.

Mrs. GREEN. Would you give some more thought to an advisory commission, perhaps write a letter?

Father HENLE. Yes, I will do that.

Mrs. GREEN. Congressman Dellenback.

Mr. DELLENBACK. Father, I would ask a couple of other specific questions. On this matter of institutional aid—you really feel with us that the basic institutional aid should be based on some form of accomplishment, rather than just enrollment; whether it be accomplishment in the sense of degrees awarded or student hours actually taught, credits earned, something of this nature? You would see it on the basis of accomplishment rather than just number of students in the institution. Is that correct?

Father HENLE. I don't see the difference because, if I teach a hundred students this year, you can measure that in the number of credits they earned or by head count. It is full-time students——

Mrs. GREEN. Would you yield?

Mr. DELLENBACK. I would be glad to yield.

Mrs. GREEN. I want to explain the rationale for this. It is on a full-time equivalency basis for credits earned for the preceding year. I had in mind those institutions that have gone to open enrollment, and I did not see the purpose for financing bodies that were simply physically present. Actual credits earned for the preceding year, on an equivalency basis, seemed to me more reasonable.

Father HENLE. Yes; I understand that. If that is the point, I would be much more in favor of credits earned.

Mr. DELLENBACK. You say the formula should relate to the full-time and full-time equivalent students actually taught—essentially, I was trying to paraphrase what you actually said.

Father HENLE. I didn't get the point of your distinction.

Mr. DELLENBACK. I read you as saying there should be some measure other than just how many heads were counted.

Father HENLE. Yes.

Mr. DELLENBACK. Do you think it is critical whether it be credit hours actually earned or whether it be degrees actually granted? It doesn't seem to us that this is critical. I would be perfectly willing to go for the method of credit hours actually earned because I see there something related to what the institution is actually doing as opposed to just how many sheep they have herded into the corral and whether or not something actually happens to them once they get them there.

Father HENLE. What we are really saying is here is what was called on educationally at this institution. That relates to your actual cost. That is where your expense goes. I prefer that because I think it is a more accurate measure both of cost and accomplishment rather than degrees granted. There are some institutions that regularly supply, by transfer, majors in larger universities. If you take any one year, you take degrees earned, it is not an accurate measure of the total educational activity in that school because in freshman and sophomore years, they are really educating people for degrees at another institution.

Mr. DELLENBACK. I understand exactly what you mean but I read you, in earlier testimony, entirely tying it to dollars. Let's assume there were $3 billion to be made available under a degree-granted formula versus $200 million under——

Father HENLE. I would take the $3 billion.

Mr. DELLENBACK. It isn't really the formula, it is the number of dollars that is in——

Father HENLE. When you make it in that dimension, you override——

Mr. DELLENBACK. You do, in effect, say there should be credit given for part-time students?

Father HENLE. Yes.

Mr. DELLENBACK. So you are with us——

Father HENLE. I think it should be full-time equivalent or some measure of part-time students. There are many institutions that have large part-time programs and others that don't, so you would be really discriminating in a sense against the institution that is doing a good job.

Mr. DELLENBACK. As far as financial aid officers, in their discretion—do you feel that each institution having once been given a certain number of dollars to be made available to it for aid to students, should be completely free to use this money any way it sought to?

Father HENLE. No, I wouldn't say, be completely free.

Mr. DELLENBACK. Should it have some sort of guidelines under which it should operate?

Father HENLE. Yes.

Mr. DELLENBACK. Do you think something should be established so that institution A student, student No. 1, coming in would have roughly similar measures as to which he should receive in institution A, as opposed to institution X?

Father HENLE. If you could give these guidelines in somewhat philosophical measure rather than rigid rule, I would say, yes.

Mr. **Dellenback**. What would be the goal of guidelines—to give rough assurance to substantial treatment of two students with identical situations?

Father **Henle**. I think I would have to say that this ought to be part of the goal, yes.

Mr. **Dellenback**. So, essentially, you would not have a student aid officer completely free to do anything he wants?

Father **Henle**. Not under Federal institution or institutional—for example, 20 percent of our unrestricted financial aid, we instruct him to give to the very poor, economically deprived.

Mr. **Dellenback**. I yield to the chairman, now, while we are talking about this.

Mrs. **Green**. I don't know whether I understood your question. If a student goes to institution, B or X, he ought to expect the same treatment?

Mr. **Dellenback**. No; I talked in terms of the question—let's assume institution A and X are similar. They are land-grant colleges, two States about the same size, and the institutions are about the same. You have student 1 and student 2, who have family backgrounds. One went to institution A and one went to institution X. In two similar situations should they expect roughly similar treatment? That was the thrust of my question.

Father **Henle**. I would say, yes.

Mrs. **Green**. I think I should add to that, I don't think we can find two such institutions, two land grant colleges—one may have a great deal of institutional aid of their own and the other might not have any. One may give $500 to a student and the other might not have any to give.

Father **Henle**. I agree, but Mr. Dellenback got me in a corner by assuming these could be verified. That is the reason why I have stressed the position that the regulations ought to be more philosophical guidelines that would leave us with the sort of flexibility you are talking about, rather than regulations tied to certain concrete facts.

Mrs. **Green**. We have guidelines in the bill this time.

Father **Henle**. Yes; you say, should they be absolutely free. I say, no. Somewhere in between that.

Mr. **Dellenback**. I wanted to be sure you were not really saying to us, in effect, that you thought student aid officers ought to be absolutely free so each individual institution should be able to set his own policy without any restrictions?

Father **Henle**. No; I don't think it is possible, that the Congress of the United States can possibly do that.

Mr. **Dellenback**. I was aware, as I am sure you are, if you really look at the matter of student aid officers, you can get interesting figures. A college's own examination board would indicate such things as there is an annual 28-percent turnover in financial aid administrators and 20 percent are employed part time and 38 percent are in studies. I am not saying this is true at very many institutions, but these are not necessarily the highest level of professional people across the board in higher education that you might look for.

There is another statistic which is very interesting to me. Student financial aid officers are of the lowest——

Father Henle. May I just say that the statistics which you have just quoted indicate that in any given situation, I think we have to take into account these people are subject to other administration within the university and in some cases we give more leeway because they are young, just starting. It is the integrity of the individual university.

Mrs. Green. Would you yield?

Mr. Dellenback. Yes.

Mrs. Green. I feel strongly that the institution itself should be required to make the policy to put the package of student aid together.

Father Henle. I would hope the requirement, now, would be more in a philosophical direction.

Mrs. Green. I hope so too, Father. I will cast my vote that way.

Father Henle. It is always attempting to get an objective formula rather than try to state a thing philosophically.

Mr. Dellenback. The trouble with too broad philosophical principles, is either all people can agree with them or——

May I ask just one more line of questioning—that is on the matter of a foundation. Do I read you as feeling there is innovation that would be helpful in higher education that might be aided by a properly constructed foundation, and that your comments on it today have been, in effect, to the matter of priority rather than to the matter of existence?

Father Henle. Priority and form.

Mr. Dellenback. Properly constructed and these are value words we have to look at.

Father Henle. If there is $200 million, we can put either into the foundation or institutional aid, I would put it into institutional aid.

Mr. Dellenback. No matter how many dollars are already in institutional aid?

Father Henle. No; at the moment.

Mr. Dellenback. The first dollars you would do that way?

Father Henle. No; if we have got a program that comes out the way Mrs. Green's comes out, if we got some more dollars after that.

Mr. Dellenback. How many dollars can Georgetown use in the way of independent aid without losing its independence?

Father Henle. At the moment, we are nowhere near the danger point.

Mr. Dellenback. In such a foundation, which would be helping with innovation, which I, for one, feel is highly desirable in higher education, quite frankly, which I think most people feel is desirable—how do you feel such a board should stand—should it be an advisory board or a decisionmaking board?

Father Henle. You are talking about a board that is going to do research innovation?

Mr. Dellenback. A board that is going to be taking a suggestion Georgetown puts forward and saying, we would like to do this—somebody is going to make the decision of the grant—not, if you will, in this situation, say, this is what we want you to do; if you do this, we will give you dollars—sitting in judgment on a host of suggestions and handing out dollars to help——

Father Henle. I am more familiar with the inner workings of NIH. It is similar to the National Science Foundation. If it was constructed this way, and reduced to project grants——

Mr. **Dellenback**. That is not pure research. That is implementing projects that are coming forth by and large from the institution.

Father **Henle**. I understand but research is a broad term. I am on the training committee for the National Center of Health Services. We don't tell people, we want you to do this and here is some money. We look at the training projects presented to us and it goes through that whole procedure.

Mr. **Dellenback**. I urge you on the comments you would make not to jump to the conclusion which, as I understand it, is completely erroneous—say—these are the things we think should be done. I would rather see the whole council as one of an ebb and flow and back and forth, but most of the ideas forthcoming from the educational institutions themselves and those dollars being available.

Father **Henle**. Under the other supposition, I wouldn't take your dollars.

Mr. **Dellenback**. Thank you very much.

Mrs. **Green**. I want to follow up this point, but I yield to Congressman Quie.

Mr. **Quie**. You go ahead.

Mrs. **Green**. I think here we are dealing in philosophical terms, opposed to what the facts are. First of all, I would suggest that NSF and NIH have more objective criteria for deciding on applications. When you get in the field of education and deal with what ways are the best to train peoples minds, I think there is a big difference. When you have thousands of applications coming in, you have to have people that are going to read all of the applications and screen out the ones they decide are not worthwhile. That is a judgment of the individual panel of readers, so they have already made an additional judgment that this application from X institution doesn't accomplish what we have decided should be accomplished under the Foundation. Then, the next bunch of people are limited to those preselected applications, and they make a judgment on whether or not that application is going to accomplish the kinds of changes that the Foundation thinks are wise. It seems to me a very subjective business. I am going to, in the near future, have some hearings with the cooperation of my colleagues, on contracts we have looked at. I have tried to promote some changes——

Father **Henle**. Are these contracts in the Office of Education or NIH?

Mrs. **Green**. They are both, as a matter of fact. I am very much disturbed. There is an outfit out in the New England States which we have reason to believe has received well over $100 million and I can't see honestly where the Federal Government has gotten a $100 million worth of benefits. I am not quite ready but we are probably going to have that material that will show one textbook cost a few million dollars to produce. I think this whole business of grants and contracts leaves a tremendous amount to be desired and regardless of how philosophically optimistic we may be on how, you know, institutions are going to make applications for grants, for innovation and change, it is going to finally rest on the judgment of the person who deals out the money. This has always been true and we can show it in the Office of Education.

Right now we have a contract made last year for $900,000 to a new corporation here, to find out if students could collect reliable information. We find the HEW audit itself has said there was a $90,000 overrun, so it is not $900,000, or $99,000 but $990,000. They are unaccounted for, and yet we find that the Secretary has made preliminary commitments to the same corporation for next summer to do the same thing in spite of their own HEW audit that almost a third of those funds are unaccounted for.

It is things of this nature that frighten me with respect to the Foundation because I can't see it is going to be any different than the Office of Education's procedure.

We have another contract they estimated would cost $70,000. It was funded for $140,000. It is now to the tune of $160,000 and it is closed out. People are putting all of their attention on the military and I think we can show hundreds of millions of dollars have been spent and I use that as a conservative figure, with no results at all, in education. I see no reason why the Foundation would be any different than the present. I think it would be just the same story, and I have never yet had anyone in the administration or Congress tell me what the Foundation could do that the Office of Education could not. In terms of priorities, with a limited amount of funds, we ought to spend it on the things we know how to do and I am getting awfully weary of innovation, change, and boldness, that is not producing quality.

Father HENLE. We do have a lexicon of such words we keep on our desk.

Mrs. GREEN. I placed it in my last newsletter that gives three columns and each one is numbered, and you can combine these columns in any way you wish and you will still find nobody that understands it.

Father HENLE. I am a little concerned. When I was talking about the system of the National Science Foundation, I was talking about the determination of scientific quality and the determination of the relevance of it, which is done, presumably, by the councils, which include not only peer groups but people who represent the public. It seems to me the process has been very good. You are talking about something else, the financial administration of the contracts and the monitoring of the work that is done under the contracts.

Mrs. GREEN. There has been no monitoring.

Father HENLE. I have not addressed myself to that because I am not familiar with it. If you have to support science by making science grants——

Mrs. GREEN. Are you on NSF?

Father HENLE. I am not now. I have been, for many years, for study groups and councils in NIH, and I was on the fellowship committee in the Office of Education for many years. I was always very edified at the way those groups operated. We took every application from every graduate school and divided it up among groups, and we discussed every one. None in the Office of Education eliminated a single proposal. We did it. We were graduate deans and professors, and I assure you we went over every application and we got together in meetings and fought for ourselves, trying to make a reasonable, objective assessment. That seems to me a very good way to make the determination of whether these applications are educationally sound.

Mrs. GREEN. NIH?

Father HENLE. No, this was the Office of Education, the graduate fellowship. We had applications from practically every graduate school in the United States. The point I am making is it was a peer group. It was university people and professional people and public representatives from all over the country and every year we sat down in July and read every proposal. We exchanged it and asked other people to read it.

Mrs. **Green**. I must say we haven't looked at the fellowship but the others I find nothing less than appalling.

Congressman Steiger.

Mr. **Steiger**. I have nothing.

Mrs. **Green**. Thank you very much, Father Henle. You have been very, very helpful, and if you come up with any other ideas on the particular points I have mentioned, in terms of advisory council or a needs test that would meet some objective criteria, we would be delighted to hear from you.

STATEMENT OF HON. GARNER E. SHRIVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. **Shriver**. Madam Chairman, I appreciate this opportunity to testify in behalf of my bill, H.R. 6062, which has been referred to this subcommittee. This bill, which I would hope could be incorporated into the Higher Education Act amendments now being considered, would correct an inequity in the national defense student loan program.

H.R. 6062 would allow the same repayment deferral privileges to conscientious objectors while performing alternative civilian duties as are enjoyed by members of the Armed Forces.

At present, in order to defer repayments on a student loan under NDEA, a borrower must be a member of the Armed Forces of the United States. In both the Armed Forces title of the United States

Mr. **Brademas**. I would ask unanimous consent to include in the record a statement, at this point, by Congressman Shriver of Kansas, before the Special Subcommittee on Education of the House Education and Labor Committee.

Mrs. **Green**. It is so ordered.

Code and the Universal Military Training and Service Act, the term "Armed Forces" is defined to mean the Army, Navy, Air Force, Marine Corps, and Coast Guard. Conscientious objectors (class I-O and I-W), performing civilian work are not considered members of the Armed Forces and are, therefore, not entitled to deferment of repayments.

This situation was brought to my attention by Mr. George Lehman, voluntary service director of the General Conference Mennonite Church in Newton, Kans. Many young men from the Mennonite Church and other denominations are conscientious objectors to military service and thus participate in alternative service. Some of these young men may go into a regular earning position in a hospital or some other Government approved agency. Many others follow the teachings of their churches and enter into church-sponsored voluntary service programs for which they receive only room, board, medical expenses, and about $25 per month.

Just as young men who are drafted into the Armed Forces or who join to avoid being drafted into a service they do not desire, these young men in voluntary service are giving up time and earning capacity. Our Constitution forbids governmental subsidization of church-related activities. On the other hand, the NDEA student loan program should not be used to discourage such activities.

This is a simple amendment. It may be that the subcommittee will need to make some changes in my bill to conform with other amendments being considered for higher education programs. In any event, I hope the intent of H.R. 6062 is adopted. That is, to allow conscientious objectors who have obtained the necessary rulings from their local draft boards to defer their repayments on NDEA student loans until after their term of alternative service.

I urge your consideration of this bill to correct an unfair situation. Thank you.

Mrs. **Green**. The meeting is adjourned until 2 p.m. this afternoon when we will hear Ben Lawrence, who, in my judgment, is probably making the most valuable study there is in the field of education today. We will recess until 2 p.m.

(Whereupon, at 12:30 p.m., the meeting adjourned until 2 p.m., on the same day.)

AFTER RECESS

(The subcommittee reconvened at 2:20 p.m., Hon. Edith Green, chairman of the subcommittee, presiding.)

Mrs. **Green**. The subcommittee will come to order. I am especially pleased to present the witness for this afternoon, and I am sure that Congressman Dellenback joins me in this, as all three of us are or have been Oregonians. Ben Lawrence was for some time the executive secretary of the Coordinating Council for Higher Education in Oregon. Then, unfortunately, he was persuaded by the Western Interstate Commission on Higher Education to work for them, and become the director of a special program. Consequently he left the great State of Oregon, and moved to Boulder, Colo.

Mr. **Dellenback**. His heart remains an Oregonian, Madam Chairman.

Mrs. **Green**. However, despite my regrets at his having left Oregon, I can think of no one who would be more competent to assume the position that he has, and during this last year, he has been the director of the National Center for Higher Education Management Systems at WICHE, which is at least partially—I have forgotten whether it is fully funded——

Mr. **Lawrence**. Partially.

Mrs. **Green**. It is partially funded by the Office of Education. Dr. Lawrence, we are very, very pleased to have you here, and if you would proceed with your statement.

STATEMENT OF BEN LAWRENCE, ASSOCIATE DIRECTOR, WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION, AND DIRECTOR, NATIONAL CENTER FOR HIGHER EDUCATION MANAGEMENT SYSTEMS

Mr. **Lawrence**. Thank you.

Madam Chairman, members of the subcommittee and guests, I am Ben Lawrence, an associate director of the Western Interstate Commission for Higher Education, and the director of the National Center for Higher Education Management Systems.

Last year about this time, I expressed a number of concerns to you, and this year, I find my concerns have increased in number as well as in intensity. And I might add to my comments that one of the problems that one has as he comes before a committee of this nature is what, of the many things that are of concern to you, do you put emphasis on and express.

Last year, I urged that Congress give attention to assisting institutions in developing their capacities to plan and manage effectively those resources at their disposal. It is an understatement to suggest that the financial situation for higher education has become even more critical. That statement should come as no surprise to you, for I am sure you have heard much testimony in this regard in the past few weeks.

In my remarks today I will refer, among all of the things that are of concern to me, to (1) significant characteristics that I believe should be included in any plan of general Federal assistance to higher education, (2) planning and management in higher education, (3) the need for increased student financial assistance, and (4) our concerns about national data collection.

EMERGENCY EXISTS

I concur with the assertion in section 1201 of H.R. 7248 introduced by Chairman Green and others which declares "that an emergency condition has arisen which threatens the continued ability of many institutions of higher education to provide the education necessary to enable our citizens to make their full contributions to the Nation's economic and cultural development."

I also concur that the time has come for the Federal Government to respond to this need through some type of general assistance. I note that section 2, paragraph 3 of the H.R. 5193 introduced by Representative Quie and others, indicates that the "Nation's tradition of diversity among its institutions of higher education should be maintained and not endangered directly or indirectly by Federal programs." I also concur with this principle.

SIGNIFICANT CHARACTERISTICS REQUIRED IN PLAN

General assistance to higher education should be planned and provided in the light of several cherished traditions and sound management principles. If you will, please keep in mind the principles of diversity, academic freedom, equity, recognition of the primary responsibility of the State to provide educational services, effective management of resources by the institutions, rewarding the responsible efforts of States and institutions to help themselves, and providing for an ongoing evaluation of the effectiveness of the mutual enterprise being undertaken. I would like to talk with you about each of these characteristics, for our need to understand them together is great.

No. 1, Diversity. Diversity of institutions and instructional programs is a great strength of higher education, reflecting local and regional as well as national needs and interests. Such diversity of offering presents diversity of choice. Young people with differing abilities, attitudes, and purposes have available to them a far more meaningful opportunity for education because of diversity.

General assistance should not be given to control or stereotype institutions, nor to manipulate them in the direction of a Federal goal. Federal goals should be advanced exclusively through categorical aid and contracts.

No. 2, academic freedom. Colleges and universities must enjoy freedom of thought and expression, freedom to inquire and question. They must have freedom to decide what to teach, how to teach, which scholarly research to pursue, which public services to offer. I hasten to draw a distinction between license and freedom. Academic freedom implies a responsibility to protect and respect the freedom of others—even those whose views one does not share—as well as the responsibility to seek and follow truth where it may lead.

Maintaining excellence in our institutions as well as academic freedom suggests to me that general assistance from the Federal Government should provide a substantial infusion of unrestricted funds with enthusiastic, concomitant faith that the academic process thus funded will provide appropriate benefits to individuals engaged in the process and to society. General Federal assistance to higher education must not be given to nudge or to direct institutional programs toward a particular point of view, either intentionally or unintentionally.

No. 3, equity. The public is more and more concerned with an equitable distribution of the costs of higher education. There is a taxpayer view, a sending family view, a student view, a faculty view, an alumni donor view, a foundation view, an institutional view, a State view, and a Federal view. Each perspective sees the problem differently, agreeing only that the problem certainly exists.

As to the problem of paying for higher education and the problem of who shall have access to higher education: Higher education is no longer considered a privilege, but a right available to all. Yet access to higher education may be denied a student because of his inability to pay for it—not because he would not benefit from it.

General assistance to higher education should reflect an understanding of equity, and provision should be made to insure that financial assistance (scholarships, grants, work-study programs, loans) be made available to those students who need assistance most. Not every student requires financial assistance, and those who do require help will not need a uniform degree of assistance.

Similarly, not all institutions require equal assistance. Differing economic circumstances of individual institutions should be reflected in the general assistance plan.

No. 4, primary responsibility. Historically, individual States have been responsible for higher education and, even at this time, they provide the primary support to the instructional program of institutions of higher education. In 1969–70, the State appropriated a total of $6.1 billion for higher education. This is the largest single source of funds allocated for higher education and is greater than all other contributions for instruction in higher education taken collectively.

General assistance grants by the Federal Government must not detract from the State's right and responsibility to provide higher education services for their constituents. On the contrary, general assistance should encourage this responsibility, and motivate each State to provide for a high quality of higher education for its people.

No. 5, private institutions. Private institutions of higher education are vital national resources, and contribute significantly to diversity in higher education. Accordingly, Federal assistance should be given in a manner that will preserve them and their independent character.

No. 6, efficiency and effectiveness. There is a growing awareness that higher education is learning how to manage its resources more effectively, expanding both the opportunities to the student and the benefits to society. These elusive qualities of management, efficiency, and effectiveness do not necessarily imply "the least cost." Rather, they imply wise use of resources to maximize benefits. They emphasize value received for the money spent. General Federal assistance should encourage those who evert effort to manage their resources wisely.

No. 7, rewarding responsible financial efforts. General assistance formulas should be designed to motivate both the States and the institutions to help themselves, rewarding those who most generously support higher education with the resources available to them. It is imperative that the plan adopted by the Federal Government not discourage development of other avenues of support.

The plan should offer all institutions a promise of bettering their financial positions, and improving the quality and responsiveness of their offerings through efforts to use available resources, and to use initiative in developing new resources.

No. 8, ongoing evaluation. A Federal general assistance plan should have built-in mechanisms for the control, evaluation, and disbursement of funds in order to be administratively feasible.

A LOOK AT H.R. 7248 AND H.R. 5193

I have reviewed title VIII of H.R. 7248 and H.R. 5193. Both these bills are to be commended for seeking to alleviate the fiscal crisis faced by institutions of higher education. When I measure the provisions of proposed legislation against the characteristics which I have just described, however, I find the legislation lacking in several respects.

Title VIII of H.R. 7248 does not recognize differing levels of support required by separate institutions. It appears to be a "rich get richer and poor get poorer" approach. It may mitigate against diversity by accentuating, in some cases, the disparity between larger and smaller institutions.

It is a classic example of what results when a systematic study of need is not available and the alternatives for addressing need have not been developed or analyzed. It is time for the Federal Government to get on with the necessary investigations which allow the development of financing plans which are well conceived and meet, in an equitable fashion, the needs of higher education.

This bill does not encourage States to plan for their higher education services, nor does it provide them with incentives to increase support of higher education. Conversely, it may encourage them to reduce relative support in future years. It does not promote efficiency and effectiveness, and may only encourage the institutions to urge Congress to increase the level of support in future years.

The bill is to be especially commended for requiring a statement of goals and specific objectives in each application. It should be pointed out that the benefit of this requirement will be dependent upon the specificity of the objectives, and some method of evaluation to determine whether the objectives outlined are appropriate. This requirement places an enormous burden upon the Commissioner, and may in fact be impossible to administer. I suspect that as currently planned, the requirement will be ineffective.

H.R. 7248 suggests that institutions which produce fewer degrees are in greater need than other institutions. While this may be true in some instances it is not true in others. I know of no evidence to support that assumption generally. Although I support output analysis in higher education, I do not feel that this bill is based on an adequate measure of outputs of higher education. The degree as a unit of output has many disadvantages; chiefly oversimplification. The bill would encourage institutions to become degree-production factories, promoting the granting of degrees whether or not the student had successfully completed requirements; and it would promote raiding, a practice of recruiting transfers from other institutions if the transfers were degree candidates.

The "promotion of diversity" claimed in section 2 is, in my opinion, misleading, since the emphasis on baccalaureate degree output would tend to diminish the diversity of offerings and choice.

As with H.R. 5193, this bill also ignores the individual State's responsibilities, fails to provide incentives to the States to increase levels of support to higher education, and does nothing to improve efficiency or effectiveness.

THE CHARACTERISTICS APPLIED TO A PLAN

A major problem associated with developing legislation pertaining to general assistance for higher education is to identify the characteristics a plan must have in order to satisfy the various principles that we all believe must be adhered to. I would like to suggest an approach.

1. If we are to promote diversity and academic freedom (principles 1 and 2 outlined earlier) then the plan must be independent of either program or associated output measures. Diversity and academic freedom have the best opportunity when decisions concerning program and output are made at the local level.
2. If we are to promote an equitable distribution of funds (principle 3 outlined above), then the plan should be based on a concept of "assist those who are trying the hardest in relation to their ability." If we are trying to judge financial need, we must use financial indicators to assess that need.
3. If we are to recognize the important roles played by both the individual States by the private institutions (principles 4 and 5) then the plan must provide them with a measure of participation. The plan must put them in the position of having some control over the manner in which Federal funds affect them.
4. If we are to promote a measure of efficiency and effectiveness (principle 6), then the nature of the plan should encourage careful management of resources.

5. If we wish to encourage the use of other resources to support higher education (principle 7), then the plan should not curtail other forms or sources of support, or reward those who use the availability of Federal funds to reduce their effort to meet their responsibilities.

The plan must have a progressive effect on all institutions of higher education alike, and not arbitrarily single out the needs of one institution over another. It should promote sound planning and management, and provide incentives for higher education to make the most of its available resources.

6. Finally, if we are to have a plan that is administratively feasible, the plan should have built-in mechanisms for control, evaluation, and disbursement of funds (principle 8) that do not call for insurmountable amounts of value judgment and large monitoring staffs. The plan must be based on readily available information in order not to require massive changes in the current reporting structure, nor incur prohibitive costs in addition to the program funds required.

If we can agree to these general characteristics for a plan, we believe it is possible to develop a formula approach to general assistance to higher education that will reflect these characteristics.

Such a plan would award funds to States and institutions on the basis of how hard they were trying in relation to their capability. Measures for this concept can be devised from readily available census statistics and very gross institutional statistics, and in our judgment would not require any new data collection efforts.

If at the appropriate time, you would like to ask questions about the character of this plan, and specific formula to be used, I would be happy to respond.

In 1971, Congress is faced with another agonizing and critical problem regarding higher education—adequate funding. It now wrestles with a means to provide some general assistance to higher education.

It should be recognized by all concerned that whatever the final form of the general assistance package, the decision will be made on the basis of very incomplete information.

In order to overcome this deficiency, I would like to suggest that additional funds be provided for two specific purposes. The first of these objectives is the collection, at the national level, of that data fundamental to more informed future decisions about aid to institutions of higher education. The second objective is to strengthen planning and management capabilities within institutions of higher education on the assumption that the improvement of these capabilities will, in turn, contribute to the solution of some of the problems currently being experienced.

In 1963, Congress faced a similar pressing problem regarding higher education. In that instance, there was an extreme shortage of capital construction funds, and there was no data to indicate the extent of the need for such funds. The facilities data available at that time was sketchy at best, and was several years out of date.

The case for the provision of construction funds was based on little more than information indicating rapid growth in enrollments, and the repetition of pleas by institutions and agencies for the funds which would allow facilities to be built to accommodate this increased enrollment. Nevertheless, Congress reacted in a positive fashion. It is to their credit that they did so.

The current situation is basically the same. Requests are coming from all sides for provisions of funds to alleviate the shortage of operating dollars currently confronting most institutions. Perhaps there is more rhetoric than hard fact, although I am convinced that the problems are real enough.

On the assumption that Congress will embark upon what amounts to a salvage operation for many institutions of higher education, I would like to suggest that the mechanism for providing these funds be established in a way which will help to prevent the reoccurrence of problems of this magnitude in the future.

As you know, the mechanism for dispersing funds under the Higher Education Facilities Act requires the establishment of a facilities commission within each of the 50 States. These commissions were charged with the development of a plan by which the funds were to be dispersed within each of the States.

As a particularly important part of this process, funds were provided to each of these commissions over a period of several years for the expressed purposes of helping them collect facilities inventory data from all institutions, and for the development of statewide plans and projections of the expected future needs for higher education facilities in each of the States.

I think the work that has been done under the aegis of these commissions is one of the brightest examples of success of an Office of Education program. Standardized definitions of data elements were developed to serve as the basis for collecting the needed information. Using these standardized data definitions, inventories of facilities were completed in each of the 50 States. These data were reported to the National Center for Educational Statistics through the mechanism of the higher education general information survey in 1968, 5 years after the beginning of that bill, and in each subsequent year. These data have been collected and analyzed at both the State and National levels. For the first time in history we have sufficient information about the current inventory of higher education facilities.

In addition, these commissions have used funds provided under this program to do some urgently needed statewide planning. As a result, at least in some States, we have acceptably valid projections of expected future needs for higher education facilities. Perhaps most importantly, a basic capacity for facilities planning has been established at many of the Nation's institutions of higher education.

A SUGGESTED PLAN

I would like to suggest that the success of the information acquisition and planning aspects of the Higher Education Facilities Act program be considered when developing the mechanism for the distribution of any general assistance funds. We have given thought to some procedures whereby this might be accomplished. These procedures take both institutions and State agencies into consideration.

First, I suggest that mechanisms be established whereby grants could be provided to institutions for the purpose of improving their planning and management capabilities. These grants could be awarded on the condition that the receiving institutions agree to provide the specific information which will allow Congress to make better informed decisions about institutional aid in the future.

Second, I would like to suggest that funds also be made available to a designated State agency within each State for the administration of this program, and for the acquisition and analysis of these data on a statewide basis.

Where there are many different ways in which such a program could be developed, certain considerations are basic. First, experience indicates that activities must be distributed over an extended time period. Higher levels of activity will be required in the initial stages because of the need to develop necessary expertise at the institutional level for transmission to the State and National levels.

While these needs will diminish over time, they will never disappear completely.

As a result, some minimum level of effort must be maintained continuously.

Second, these funds should be granted with a proviso that institutions send the specified data to the National Center for Educational Statistics through the mechanism of the higher educational general information survey.

One possible scheme would be to provide these funds to institutions on the basis of $5 per student with a minimum amount given to any one institution of $15,000. The level of funding required by such a scheme would be approximately $65 million in the first year. While the need should diminish over time, it is estimated that a minimum required level of funding would be approximately $20 million per year in the fifth and succeeding years of the program.

Grants to designated State agencies for the administration of the program, for provision of statewide data, and for development of statewide plans regarding financial aspects of higher education could be funded on the basis of $1 per full-time equivalent student with a minimum of $50,000 per State.

On this basis, each State could afford to have at least one individual whose sole concern it was to acquire institutional financial data on a statewide basis, to analyze these data, and to develop projections of future financial needs. It is estimated that the cost of such a program at the State level would be between $9 and $10 million per year.

STUDENT ASSISTANCE ADVOCATED

I would like to add my voice to those who advocate the establishment of the proposed Student Loan Marketing Association. The need for student financial assistance is obvious. As long as such need is in excess of the available supply, there will be pulling and hauling as people scramble to get a share. This situation sets the stage for discrimination, dispute, and frustration. The secondary marketing association will assist in alleviating this problem and appears to be the best assistance that can be provided, given the current economic and social situation.

In the long term, however, I believe we must look not only to plans such as the current pay-as-you-learn loan plans being tried in several institutions and being studied by the Ford Foundation, but we must consider the possibility of a social security approach to student financial assistance.

It would differ from social security in that the benefits would be received prior to making payments rather than after making the payments. It is also intriguing to consider such a program being administered within social security. That is, an individual would be subsidized at both the beginning and the end of his lifetime, when his financial needs are greatest. He would contribute to both subsidies during his income-generating years when he is most able to do so.

CONCERNS ABOUT NATIONAL DATA COLLECTION

I have one last concern. On April 15, I wrote to Commissioner Marland on behalf of our executive committee and technical council with a copy to you, Madam Chairman, urging that he give consideration to the priorities of National Center for Educational Statistics (NCES), for the collection of data from the higher education community. Higher education has expressed its concern on this matter on several occasions. Specifically we are concerned that the data required for decisionmaking at the national level be identified, and that these data needs be communicated throughout the higher education community.

Second, we strongly urge that the recent effort of the NCES concerning the standardization of the data elements be continued. Data standardization represents a major need of the entire higher education community.

Third, we are concerned that mechanisms be established whereby those data which are collected can be analyzed, and interpreted against a background of identified policymaking issues.

A final concern is that these data collected by the NCES be made available to the users at all levels in a timely fashion. We feel it is reasonable to expect that the data collected be summarized and published within the year collected. In the past this expectation has not been realized. We also feel it reasonable to request that the edited, disaggregated data be made available to the higher education community for specific studies and analysis in the same time frame.

We recognize that Commissioner Marland cannot respond to our concern unless funds are available to him for that purpose. We urge you to insure that those funds are available. I have a copy of that letter for you for the record, if you so desire.

Mrs. GREEN. Yes, I would ask unanimous consent that at this point, the letter from Ben Lawrence to Commissioner Marland, of April 15, and several attached letters from various organizations, also in response to this, be made a part of the record.

If there is no objection, that will be done.

(The information referred to follows:)

WICHE,
Boulder, Colo., April 15, 1971.

Dr. SIDNEY P. MARLAND, Jr.,
Commissioner of Education,
U.S. Office of Education,
Washington, D.C.

DEAR COMMISSIONER MARLAND: The members of the Executive Committee and the Technical Council of the Planning and Management Systems Program at WICHE (see attachments) have expressed concern about the priorities attached by the Office of Education to the collection, editing, analysis, and timely reporting of information concerning higher education.

Institutions and state agencies increasingly are finding that the problems which were associated with the rapid growth phenomenon of the recent past are now giving way to the problems associated with fiscal constraints and fiscal accountability. The emergence of these problems has served to foster a great deal of inquiry and investigation into the resource allocation, decision-making process at the state and institutional levels and into the data required to support these decision-making processes. New management procedures and techniques are being developed and put into use at the institutions. Information needs have been identified in many cases and the mechanisms for collecting these data are being established.

We recognize that many of these same problems are being faced by the federal agencies. Increasingly complex policy decisions must be made in the absence of sufficient information. As both suppliers and users of the information concerning higher education which is collected by the National Center of Educational Statistics, we have several concerns.

First, we are concerned that the data required for decision-making at the national level be identified and that these data needs be communicated throughout the higher education community. To this end the Planning and Management Systems Program at WICHE, in cooperation with the American Council on Education (ACE), State Higher Education Executive Officers Association (SHEEO), The Center for Research and Development in Higher Education (CRDHE) at Berkeley, and the Education Commission of the States (ECS) have jointly responded to the Office of Education's request for a proposal to conduct the Seventh Annual Higher Educational General Information Survey Conference. We have proposed that this Conference be one of the means for identifying information needs at the state and national levels and for determining the mechanisms which can best affect the collection of these data. Further, we would like to suggest that a conference with this focus be held annually and that an adequate lead time for planning the Conferences be established in order that the substantive issues of the day can be appropriately addressed.

Second, we strongly urge that the recent effort of the National Center for Educational Statistics (NCES) concerning the standardization of the data elements be continued. A major need of the entire higher education community is for the analytic flexibility which only standardized definitions and compatible systems will allow.

Thirdly, we are concerned that mechanisms be established whereby those data which are collected can be analyzed and interpreted against a background of identified policy-making issues. We feel it appropriate that these interpretations be disseminated to the higher education community to indicate how the data being collected are used at the national level.

A final concern is that these data collected by the NCES be made available to the users at all levels in a timely fashion. We feel it is reasonable to expect that the data collected be summarized and published within the year collected. In the past this expectation has not been realized. We also feel it reasonable to request that the edited, disaggregated data be made available to the higher education community for specific studies and analyses in the same time frame.

We are well aware of many pressing demands of the NCES for data collection, editing, and dissemination. In the area of higher education data, however, we feel the priorities should reflect a fuller consideration of the concerns listed. We urge you to seek the necessary funds and to order the priorities of the Center in order to enable the determination of the data needed at the state and national level for decision-making, the efficient collection of these data, and rapid dissemination of the data and the application of these data to the current issues.

The attached letters are typical of the many letters received from the members of our Executive Committee and Technical Council endorsing this statement and attesting to the accuracy with which their concerns have been reflected. I believe them to be representative of the concerns felt throughout the higher education community concerning these pressing issues. Significantly, no negative responses have been received.

We stand ready to assist you in any way, and we would be pleased to explain our concerns in greater detail at any time.

Sincerely,

BEN LAWRENCE,
Director.

Enclosures.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., April 9, 1971.

Dr. BEN LAWRENCE,
Western Interstate Commission for Higher Education,
Boulder, Colo.

DEAR BEN: Thanks for your letter of March 31 and the opportunity to comment on your draft letter to Marland. It looks good pretty much as it stands; I hope it can have some impact. You may not know that we have, on several occasions in the past, sent several similar letters to USOE, but without much success. My hunch is that it is the leadership at the top, more than anything else, that is a critical factor in determining whether or not they can provide the kind of service that is really needed.

Best wishes.

Cordially,

ALEXANDER W. ASTIN,
Director.

SOUTHERN REGIONAL EDUCATION BOARD,
Atlanta, Ga., April 5, 1971.

Dr. BEN LAWRENCE,
Director, Planning and Management Systems Division, Western Interstate Commission for Higher Education, Boulder, Colo.

DEAR BEN: The draft letter to Commissioner Marland is very much to the point. There is one further complaint regarding HEGIS practice which might be addressed with a statement pointing out that "apparent inconsistencies in data requested from year to year are an additional source of disturbance to many data suppliers. The view that annual changes in data requested by HEGIS are largely capricious could be combatted by more specific orientation on the sequence of reports for which the USOE is responsible, whether annually, biennially or whatever."

Sincerely yours,

E. F. SCHIETINGER,
Director of Research.

THE COLLEGE OF WOOSTER,
Wooster, Ohio, April 6, 1971.

Dr. BEN LAWRENCE,
Director, WICHE
Boulder, Colo.

Subject: Letter to Commissioner Marland

DEAR BEN: I agree with contents of letter, I wonder whether a diplomatic statement could be worked out on the following point:

Many college business officers and presidents are reluctant to have their staff spend much time filling out the HEGIS questionnaires because by the time the data are published the information is so out-of-date that they serve very little current purpose.

The publications on fall enrollment for institutions which came out this year bore scant relation to the enrollment problem faced by colleges and universities today. As a result of the long delays, institutions of higher education spend much time making their own surveys, something which is becoming more and more of a nuisance and also quite expensive.

Hope this response will be of some use to you.

Cordially yours,

HANS H. JENNY,
Vice President for Finance and Business.

UNIVERSITY OF ILLINOIS,
Champaign, Ill., April 6, 1971.

Mr. BEN LAWRENCE,
WICHE,
Boulder, Colo.

DEAR BEN: I have your letter to Commissioner Marland concerning the priorities of the Office of Education. It seems to me you have covered, in an excellent fashion, the concerns of the institutions as they relate to the identification of the data elements required for decision making and their availability to the users in a timely fashion and their concern about how the data being collected is used at the national level.

I believe your letter covers the situation very clearly and I can add no substantative suggestions for its improvements.

Sincerely yours,

JOHN F. CHANEY,
Director.

UNIVERSITY OF CALIFORNIA, BERKELEY,
Berkeley, Calif., March 24, 1971.

Dr. BEN LAWRENCE,
Associate Director,
Western Interstate Commission on Higher Education,
Boulder, Colo.

DEAR DR. LAWRENCE: This is to confirm the telephone conversation with you that the Center for Research and Development in Higher Education will cosponsor the Seventh Annual Conference on Higher Education General Information Survey.

We will be glad to work with you and the other co-sponsors in developing the proposal and working toward a successful conference.

Sincerely,

LYMAN A. GLENNY,
Associate Director, Center for Research and Development in Higher Education.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., April 13, 1971.

Dr. BEN LAWRENCE,
Director of Planning and Management Systems Division,
Western Interstate Commission for Higher Education,
Boulder, Colo.

DEAR DR. LAWRENCE: The American Council on Education is pleased to endorse the proposal of the Western Interstate Conference for Higher Education in response to RFP–71–20. The ACE agrees to a joint sponsorship with the other organizations specified in the proposal, for the purpose of conducting the Seventh Annual Conference on the Higher Education General Information Survey.

Sincerely,

LOGAN WILSON,
President.

COMMONWEALTH OF KENTUCKY,
COUNCIL ON PUBLIC HIGHER EDUCATION,
Frankfort, Ky., April 8, 1971.

Dr. BEN LAWRENCE,
Associate Director, Management Information Systems Program,
WICHE, Boulder, Colo.

DEAR BEN: In response to your memorandum of March 20, 1971, please be advised the State Higher Education Executive Officers Association (SHEEO) is delighted to be a co-sponsor of the proposed Seventh Annual Conference on Higher Education General Information Survey. The Executive Committee of SHEEO has approved the co-sponsorship by polling subsequent to their receipt of the information you furnished them.

(This letter confirms my telephone call to your secretary on Friday, April 2, 1971.)

Thanks, Ben.

Sincerely yours,

TED C. GILBERT,
Executive Director.

EDUCATION COMMISSION OF THE STATES,
Denver, Colo., March 24, 1971.

DR. BEN LAWRENCE,
Western Interstate Commission for Higher Education,
Planning and Management Systems Division, Boulder, Colo.

DEAR BEN: The purpose of this letter is to add our endorsement to the proposal for the Seventh Annual Conference on Higher Education General Information Survey.

We would be more than happy to serve as co-sponsors and to work with you and the principal investigator in preparing for and taking part in the Conference.

Combining the special interest section for development of HEGIS VII with general discussions of current developments in higher education planning and management systems, higher educational policy issues, and, the role of the states in higher educational planning can give the Conference a perspective and depth which was not necessarily characterized in such conferences in the past and, in our opinion, make the Conference just that much more useful.

Each of the issues is of major concern to the Education Commission of the States as well as to the other organizations involved.

Cordially yours,

RICHARD M. MILLARD,
Director, Higher Education Services.

EXECUTIVE COMMITTEE

Chairman: Mr. John Bartram

Mr. John Bartram, Director, Budgeting, Regent Hall 306, University of Colorado, Boulder, Colorado 80302. (303) 443–2211, Ext. 6208 (July 1, 1971.)

Dr. Thomas F. Bates, Vice President for Planning, The Pennsylvania State University, 405 Old Main Building, University Park, Pennsylvania 16802. (814) 865–4700 (July 1, 1971.)

Mr. T. C. Burnette, University Registrar, State University of New York at Albany, 1400 Washington Avenue, Albany, New York 12203. (518) 457–4904 (July 1, 1971.)

Mr. Donald H. Clark, Chairman of the Higher Education Advisory Committee to the Midwest, Council of State Governments, 214 Bryan Hall, Indiana University, Bloomington, Indiana 47401. (812) 337–7618 (July 1, 1972.)

Dr. Robert L. Clodius, Vice President, University of Wisconsin System, Madison, Wisconsin 53706. (608) 262–2331 (July 1, 1971.)

Mr. Kenneth Creighton, Deputy Vice President for Finance, Stanford University, Stanford, California 94305. (415) 321–2300, Ext. 2251 (July 1, 1971.)

Mr. Paul V. Cusick, Vice President for Business and Fiscal Relations, Room 4–110, Massachusetts Institute of Technology, 77 Massachusetts Avenue, Cambridge, Massachusetts 02139. (617) 864–6900, Ext. 331 (July 1, 1972.)

Dr. Alan Ferguson, Executive Director, New England Board of Higher Education, 20 Walnut Street, Wellesley, Massachusetts 02181. (617) 235–8430 (July 1, 1971.)

Mr. Loren Furtado, Assistant Vice President, University of California, Berkeley, California 94720. (415) 642–5720 (July 1, 1972.)

Dr. Thomas Goins, Deputy Director, State of Illinois, Board of Higher Education, 500 Reisch Building, 117 South 5th Street, Springfield, Illinois 62701. (217) 525–2551 (July 1, 1971.)

Mr. Robert L. Harris, Vice Chancellor, California Community Colleges, 721 Capitol Mall, Sacramento, California 95814. (916) 445–8752 (July 1, 1972.)

Dr. Harold Jacobsen, Vice President of Business and Finance, Seattle Community College, Seattle, Washington 98122. (206) 587–5454 (July 1, 1971.)

Dr. Bert Y. Kersh, Dean of Faculty, Oregon College of Education, Monmouth, Oregon 97361. (503) 838–1220 (July 1, 1972.)

Mr. Samuel Lawrence, Vice President for Administration, Cornell University, Ithaca, New York 14850. (607) 256–1000, Ext. 4162 (July 1, 1972.)

Dr. Roy Lieuallen, Chancellor, State System of Higher Education, P.O. Box 3175, Eugene, Oregon 97403. (503) 342–1411, Ext. 1171 (July 1, 1972.)

Mr. Robert Mautz, Chancellor, State University System of Florida, 104 W. Gaines Street, Tallahassee, Florida 32304. (904) 599–5416 (July 1, 1972.)

Dr. Robert H. McCabe, Executive Vice President, Miami-Dade Junior College, 11011 S.W. 104th Street, Miami, Florida 33156. (305) 274–1213 (July 1, 1972.)

Dr. Robert McCambridge, Assistant Commissioner for Higher Education Planning, State Education Department, Albany, New York 12224. (518) 474–8136 (July 1, 1971.)

Dr. William R. McConnell, Executive Secretary, Board of Educational Finance, Legislative-Executive Building, Room 201, Santa Fe, New Mexico 87501 (505) 827–2118 (July 1, 1971).

Mr. Gordon Osborn, Assistant Vice Chancellor for Management, State University of New York, Thurlow Terrace, Albany, New York 12201. (518) 474–8226 July 1, 1971).

Mr. James Ryan, Vice President for Planning and Budgeting, 200 Administration Building, University of Washington, Seattle, Washington 98105. (206) 543–6410 (July 1, 1972).

Dr. E. F. Schietinger, Associate Director for Research, Southern Regional Education Board, 130 Sixth Street NW., Atlanta, Georgia 30313. (404) 875–9211 (July 1, 1972).

Dr. Thomas S. Smith, President, Lawrence University, Appleton, Wisconsin 54911. (414) 739–3681 (July 1, 1972).

Mr. Richard D. Strathmeyer, Vice President for Business Affairs, Carnegie-Mellon University, Pittsburgh, Pennsylvania 15213. (412) 621–2600 (July 1, 1971).

Dr. Martin Zeigler, Associate Provost, University of Illinois, 363 Administration Building, Urbana, Illinois 61801. (217) 333–1562 (July 1, 1972).

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Mr. John Chaney, Director, University Office of Administrative Data Processing, University of Illinois, 409 East Chalmers Street, Room 248, Champaign, Illinois 61820. Office: (217) 333–0404 (July 1, 1972).

Mr. James Eden, Director of Administrative Services and Assistant to the President, University of Rochester, Rochester, New York 14627. Office: (716) 275–3995; Home: (716) 377–2092 (July 1, 1972).

Mr. John Gwynn, Associate Director, Project INFO, Stanford University, Encina Hall, Room 30, Stanford, California 94305. Office: (415) 321–2300, Ext. 3427 (July 1, 1972).

Dr. John Haugo, Director of Information Systems, Minnesota State College System, 407 Capitol Square Building, 550 Cedar Street, St. Paul, Minnesota 55101. Office: (612) 221–3846: Home: (612) 636–1983 (July 1. 1971).

Dr. Hans H. Jenny, Vice President of Finance and Business, Director of Administrative Computer Services, College of Wooster, Wooster, Ohio 44691. Office: (216) 264–1234 Ext. 581 (July 1, 1971).

Dr. George Kaludis, Vice Chancellor for Vanderbilt University, 203 Kirkland Hall, Nashville, Tennessee 37203. Office: (615) 322–2491, Home: (615) 297–7022 (July 1, 1971).

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Mr. M. Charles McIntyre, Chief College Financial Services, Office of the Chancellor, California Community Colleges, 825 Fifteenth Street, Sacramento, California 95814. Office: (916) 445-0486 (July 1, 1972).

Mr. Garland P. Peed, Assistant Superintendent, Business, State Center Junior College District, 924 North Van Ness, Fresno, California 93728. Office: (209) 233-8475 (July 1, 1971).

Mr. Ron Sapp, Director, Office of Administrative Systems, Johns Hopkins University, Charles & 34th Streets, Baltimore, Maryland 21218. Office: (301) 366-3300 (July 1, 1971).

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., May 17, 1971.

DR. BEN LAWRENCE,
Director, Western Interstate
Commission for Higher Education,
Boulder, Colo.

DEAR DR. LAWRENCE: Thank you for your April 15 letter communicating the concerns of the Executive Committee and the Technical Council of the Planning and Management Systems Program at WICHE. The Office of Education is gratified to have such an early and thoughtful response to its invitation to the education community for advice and counsel on our mutual problems.

It is good to learn of the wide approval for the imaginative restructuring of the Seventh Annual Higher Education General Information Survey (HEGIS) Conference by the National Center for Educational Statistics. Future HEGIS conferences must continue to address, review and update the issues and conclusions developed so energetically this year.

Our efforts to standardize data elements in higher education will continue. While these efforts have been more visible this past year, they began over 20 years ago with cooperation between the Office of Education and the American Association of Collegiate Registrars and Admissions Officers and the National Association of College and University Business Officers. As early as 1966, OE played a major role in developing the Higher Education Facilities Classification and Inventory Procedures Manual, which became a national standard. The success of these efforts certainly bodes well for their expansion and continuation.

We have made substantial efforts to keep the higher education community informed about Federal uses of the data collected. For instance, the Federal users of data have had to justify their needs for data to the data suppliers represented in the annual HEGIS conference by their various institutional and professional associations. By the same token, these representatives have been encouraged to persuade their agencies to introduce into their data banks items of particular interest and value to Federal users.

In the development of HEGIS VII, we are cooperating with the Office of Management and Budget to improve the system of identifying national data needs. As this program develops, the higher education community will be kept informed.

The National Center for Educational Statistics has been striving to develop improved procedures for more timely dissemination of the collected data. We have set as our own goal and standard of acceptable timeliness that data collected in a particular year should be summarized and published within that year. You may have heard this time-frame discussed at past HEGIS conferences. I assure you that we will continue to strive for attainment of this goal.

The Federal government shares the need of other agencies for early data on higher education. NCES is responding to these needs by designing a special sample of institutions for preparing preliminary estimates on selected statistics which are vital in planning and policy development.

A significant factor in the tardiness of our publications is lateness in submitting data to NCES. For example, as late as March 1971, there were still nonrespondents (whose data were essential to pubication) to the survey of enrollment for advanced degrees for fall 1970. We would appreciate the assistance of the Executive Committee and the Technical Council in stimulating early response.

NCES has been concerned for some time about the early availability of edited unaggregated data for the higher education community. NCES has provided data tapes but because of its limited resources could not fill requests for special analyses of its data. This situation should improve shortly. At the initiative of NCES, legislation recently authorized establishment of a nonprofit function for just that purpose. Plans for implementing that service are already well along.

I understand that Dr. Wayne Reed and Mrs. Gilford informed you earlier this month of the general philosophy that this Administration will pursue on support for educational statistics efforts. These efforts already have noteworthy support and concurrence and will be vigorously pursued. When the details of this program become available, I may call on you and your colleagues for the assistance that you so generously offered.

This exchange of letters hopefully marks the beginning of a continuing discussion between the Office of Education and the higher education community. I hope that you will continue to communicate your views and concerns with similar directness.

Sincerely,

S. P. Marland, Jr.
U.S. Commissioner of Education.

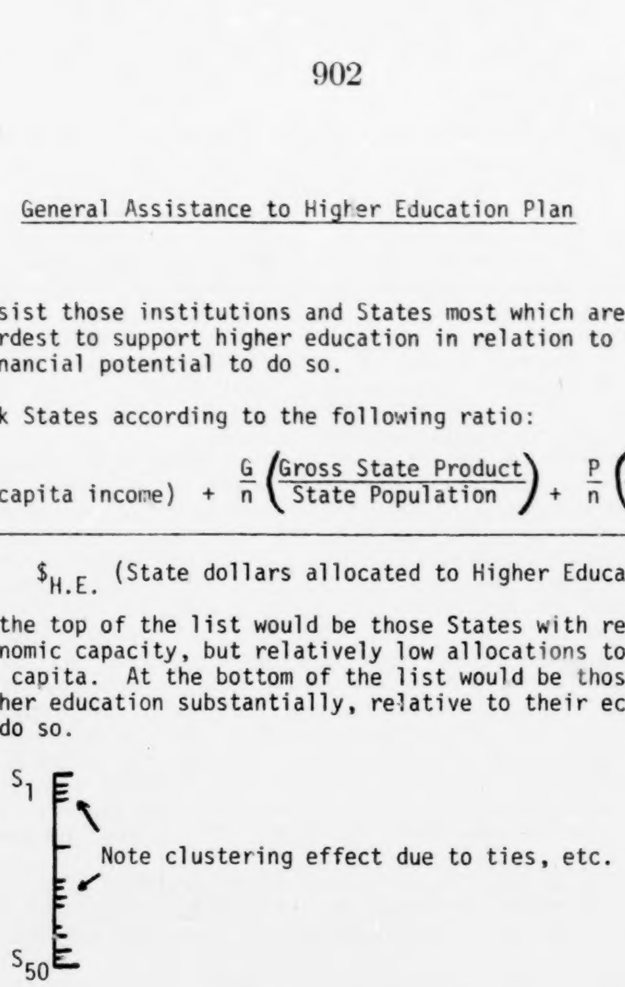
General Assistance to Higher Education Plan

Concept: Assist those institutions and States most which are trying the hardest to support higher education in relation to their financial potential to do so.

I. A) Rank States according to the following ratio:

$$\frac{I\text{ (per capita income)} + \frac{G}{n}\left(\frac{\text{Gross State Product}}{\text{State Population}}\right) + \frac{P}{n}\left(\frac{\text{Real Property Value}}{\text{State Population}}\right)}{\$_{H.E.}\text{ (State dollars allocated to Higher Education)}}$$

B) At the top of the list would be those States with relatively high economic capacity, but relatively low allocations to higher education per capita. At the bottom of the list would be those States funding higher education substantially, relative to their economic potential to do so.



C) The dollars appropriated by Congress for State distribution to higher education would be distributed to the States according to the number of students in the State, but weighted according to the ranking of the States so that the States at the bottom of the list would receive proportionately more dollars per student than the States at the top of the list.

There are many ways this distribution could be made. While each method might cause some differences, they would be relative.

II. A) Rank States according to the following ratio:

$$\frac{D\left(\begin{matrix}\text{Disposal of}\\ \text{Personal Income}\end{matrix}\right) + N_p\left(\begin{matrix}\text{Population at or below}\\ \text{poverty level}\end{matrix}\right) + N_m\text{(Minority population)}}{\$_{p/s}\left(\begin{matrix}\text{The total income per student from in-State student}\\ \text{tuition and fees both public and private}\end{matrix}\right)}$$

At the top of the list would be those States with large per capita incomes, small minority and poverty populations, and small institutional incomes per student from private revenues. The opposite is true for States at the bottom of the list.

B) Rank Institutions within each State according to the following ratio:

$$\frac{\text{Tuition and fees}}{\text{Operating income}}$$

At the top of the list would be those institutions which have a high tuition relative to their operating income.

C) The dollars appropriated by Congress for institutions would be distributed by first assigning the dollars to the respective States based on the ranking of States in II-A above and then the funds assigned to each State would be distributed to the institutions within the State in relative proportion to the ranking of institutions within the State using the procedure in II-B.

Mrs. Green. There are several items that I would like to discuss. One, you do suggest that the States send all of their data to the National Center for Educational Statistics. I have already asked Mr. Hogan to find out how much money has been appropriated to them. I am under the impression that Congress has given them the funds, and for years, I have heard that the statistics from OE are way behind—that there is a long time lag and they are very unreliable.

If I read your statement correctly, and I am looking right at the moment at the top of page 15 where you discuss institutional grants, you suggest that mechanisms be established whereby grants could be provided for the purpose of improving their planning and management capabilities, et cetera.

Again, if I read it correctly, you are suggesting that we do not give institutional grants at this time, because we do not have the information that is necessary, and that the individual institutions are not managing wisely.

Is this the impression you intend to convey?

Mr. Lawrence. No, that is not the impression I intend to convey. I believe last year, I would have felt that way. But I have sufficient information at my disposal, because of the position I hold, and have observed the higher education process closely enough, that I believe that while I can't produce hard facts to substantiate it, that the higher education process needs substantial infusion of general assistance in order to overcome the present fiscal crisis that they face.

And I believe that delay, even to find a better way, would not be desirable. I do not feel that we have satisfactory mechanisms to disburse general assistance at this present time, according to my particular perspectives, but I would hate to see us delay in trying to get a more satisfactory one, if it meant that general assistance had to be postponed another year.

Mrs. Green. As I said this morning, if I could find a needs test for institutions that I thought was satisfactory, I would be the first to support it, because I think that makes sense.

You refer to this, and I am anxious a little bit later to hear your proposal for it, a definite formula, based on need.

But do you think that we have sufficient data now? You have already made reference to the National Center for Educational Statistics, do you think there is sufficient data available so that as of next week, when we start marking the bill, that we could devise a needs formula that one, the various institutions, various associations in higher education would accept, and two, would assure fairness and equity?

Mr. Lawrence. It is difficult to answer that question. By next week, I do not think that is possible. I do believe that we have given thought to the problem of need, at your request, some months ago. And we said, if we are going to assess financial need in institutions of higher education, let's see what data is lying around in existing format that will assist us.

We have come up with readily available data, that does, in our estimation, have very strong potential for providing us with need information, and could be used for distributing funds. However, we have not had an opportunity to take real, live data and plug it into the conceptual formulas that we have developed, to see if, in fact, it would do the kinds of things we are convinced it will do.

We do not like to stick our neck on the line, so to speak, and say it will do this, without having had the opportunity to test it. And it does cost some money to test things of this nature.

Another problem that we have in this regard is that we tend to start from the very complicated, sophisticated formula approach, and work toward simpler representations of the concepts that we have. And it has taken us some time to get these kinds of formulations to the place where we feel that we can given them public exposure with some degree of understanding.

We think we have, now, but we haven't had an opportunity to really test it, so next week, it couldn't be done.

Mrs. **Green**. What time element?

Mr. **Lawrence**. We would have to have a commitment or an authorization from somebody to spend time on it, and I suspect that it would take us 2 or 3 weeks to really—and this would be three or four people working for 2 or 3 weeks to really test these things out, to make sure they work.

We could not do it in a week's time, and I would really like to ask my staff what that time frame would be. They say they can do it. They have prepared a written document, and are hoping to entertain discussions with the Office of Education, about getting support for this kind of analysis.

Mrs. **Green**. And then it would have to come back to the Congress for further hearings, and individuals and institutions would have to be heard again on it.

Mr. **Lawrence**. Yes. And one of the reasons why I did not include the substance of these thoughts in my testimony was that I was a little bit anxious about whether it was even worthwhile doing, in view of the time frame that Congress is operating under.

I do believe that general assistance is urgent, and I do not think that general assistance should be held up, while we try to fiddle around with numbers to come up with a more equitable way of distributing funds.

But I do believe that we should not, because we have a less than satisfactory method of contributing funds, ignore the long-range task of determining how we can assess financial need in the Nation.

Mrs. **Green**. Two other quick questions. On page 8, Dr. Lawrence, you use H.R. 7248, and then you refer to degrees. Are you really referring to H.R. 7248? The formula in my bill has nothing to do with degrees.

Mr. **Lawrence**. I am sorry. If I used H.R. 7248, that is a mistake in typing. I was referring to the bill introduced by Representative Quie.

Mrs. GREEN. On page 8, it should be, in the last pragraph, H.R. 5193.

Mr. LAWRENCE. Yes.

Mrs. GREEN. All right. On page 4, you have touched on something that I think relates to one of my concerns. At the end, you say that:

> General Federal assistance to higher education must not be given to nudge or to direct institutional programs toward a particular point of view, either intentionally or unintentionally.

Let me refer to the Foundation, and admittedly, this is not general assistance, but I think this morning, you heard me express my concern that Secretary Richardson has refered to this as a reform measure, and that grants would be given to those institutions which are willing to change.

When institutions apply for the grants, my concern, as I have expressed it, was that those applicants who are applying for the funds for projects that the Foundation has already decided should be undertaken. The applications which do not propose those changes would be rejected. It seems to me that you and I share a similar concerning this regard.

Am I reading you correctly, or not? What is your view of the Foundation? Also, if I may ask, what would be your view of an Advisory Council that would be charged with the responsibility of doing long-range planning with no grant funds to control institutional policy, but with the prestige to make recommendations to the White House, and to the Congress, and to the higher academic community?

Mr. LAWRENCE. The National Foundation concept comes very low on my priority, in terms of financial assistance, given the economic situation we have right now. I would rather the money be given to the institutions, for two reasons. They are the people that do the production, in higher education. That is where the product comes out.

And second, I believe that the Foundation would, in fact, determine which change was appropriate, and I think change should be determined at the local levels, closer to the people, closer to the individuals involved, and that the Foundation, given the style in which it is expressed now—and this doesn't mean that you couldn't express it differently—would have the intention of causing change in institutions of higher education, determined by somebody in the Federal Government.

Now whether it is a commission, or an individual, it would tend to stereotype us toward one plan, and I do not feel that we want to move institutions toward some particular goal of the Federal Government.

There are legitimate occasions when the Federal Government does have goals to achieve, but they should be well stated, publicly, by our political leaders, and the fund should be appropriated for those goals, and go in the form of categorical assistance when they are trying to do that. But general assistance and change should be determined by our institutions.

The strength of American higher education is diversity and academic freedom, and I would say not license, but academic freedom, and I believe this very strongly.

With regard to a planning agency, I think some kind of a coordinating advisory planning agency at the Federal level is badly needed. Perhaps it would help to overcome the deficiencies of data that we have. Perhaps it would give Congress and the President some understanding, in a more systematic way, of the problems of higher education, and suggest means of financing higher education, and attacking the problems of higher education that are common to all institutions and all States. I do not believe, however, that it should be in the position of using dollars at its disposal to control the direction of higher education, that that should go through the political process, and consequently, I believe they ought to be advisory.

Mrs. GREEN. Thank you. Mr. Dellenback?

Mr. DELLENBACK. Thank you, Madam Chairman. Dr. Lawrence, as the chairman indicated, we are delighted to have you here.

Mr. LAWRENCE. Thank you.

Mr. DELLENBACK. We have a high regard for your background, and we know of your extensive contribution to education, not only in our State of Oregon, but through WICHE, and we are pleased to have the benefit of that here.

I would like to push a little bit further with questions on this concept of innovation or change in higher education. Do you think that there really is radical change or significant innovation called for in higher education? Would you give such change or innovation a high priority, in your list of things that are desirable?

Mr. LAWRENCE. The way you pose your question causes me some apprehension. Let me try to pose the question the way I would like to answer it, to make me more comfortable.

Mr. DELLENBACK. Fine. Let's start there.

Mr. LAWRENCE. We are talking about a degree of change. And if you are saying, am I for revolutionary kinds of change, the answer to that question is probably no. If you are saying higher education is slower at changing, is higher education changing rapidly enough, my answer is "No," I am impatient with higher education; it is not changing rapidly enough.

When you get inside an institution of higher education, you will find a large number of people committed to getting rid of some of the carriers that prevent students from learning, from achieving what they want to achieve, and going in routes that they want to go. You will also find people that have been used to doing things the way they have been done, for so many years, that they are barriers to the change.

And what is needed in most cases in institutions of higher education is a practice of the philosophy that they espouse. They say, "We believe in flexibility." But then they have the most inflexible admissions rules, and the most inflexible registration rules, long registration lines, lack of counseling for students who are seeking advice as to where they are going. They do not carry out the philosophy that they espouse.

Most of our institutions, in theory, are progressively changing. But the people inside the institutions, as inside any organization, do not change as fast as our organizations change in theory. And the problem, as I see it, is one of modifying the behavior of individuals within the institution of higher education, so that accreditation rules and certification rules can be modified to be much more relevant to the times.

These kinds of actions need to be carried out.

Mr. **Brademas.** Will the gentleman from Oregon yield?

Mr. **Dellenback.** Yes, of course.

Mr. **Brademas.** I have to go to an organizing meeting of another committee, and I just have one question, if you wouldn't mind.

Mr. **Dellenback.** Go ahead, sir.

Mr. **Brademas.** Let me say I find your paper extremely valuable, Dr. Lawrence. It is very interesting indeed. I understand, do I, that you favor general institutional aid, but that you favor it conditioned on some formula that takes into account need of the various institutions, and that you are indicating that some institutions may have more need than others? Is that correct?

Mr. **Lawrence.** Yes.

Mr. **Brademas.** What you are saying is on all four with what Dr. Rivlin told us, and what——

Mr. **Lawrence.** Dr. Rivlin?

Mr. **Brademas.** Dr. Alice Rivlin and Dr. Newman, and I am hearing these statements for the first time, and they are making an impression on me. Does this piece of paper, this general assistance to higher education plan that you have given us, represent your proposed formula for general assistance, to take into account need, or does it not represent a maintenance of effort factor?

In other words, how would you do it? I just have one question. How would you take into account need?

Mr. **Lawrence.** I would have to describe to you the concept by which those notes—and my staff took my notes, that, I had for my other information, and also sent them along to the committee, while I was out of town.

Mr. **Brademas.** Well, let me say, this is a maintenance of effort document, as I read it. Is that right?

Mr. **Lawrence.** When the two work—when these kinds of formulas work in juxtaposition to each other, a formula that would give some monies to States to distribute to institutions of higher education, and a formula that would give some monies directly to institutions, working in tandem, will have the effect of being a formula distributing monies on the basis of need.

And I would have to explain that, and if you want me to go into that, I think I can, at this point.

Mr. **Brademas.** Can you do it in about 1 minute?

Mr. **Dellenback.** Hopefully, John, if I may interrupt, we are going to ask Dr. Lawrence to give us a full explanation of this. I think that is the reason for the blackboard.

Mr. **Brademas.** OK. Fine, well, I would be very grateful, if it is in order, and I think it might be helpful to all of us on the subcommittees, may I say, if you could send us a memorandum, in which you set forth your views on this, because——

Mr. **Lawrence.** You have a copy of it, I believe.

Mr. **Brademas.** It is a terribly important point you are making.

Mr. **Lawrence.** Yes.

Mr. **Brademas.** And what I would like to know is, if I understand, to summarize, and then I will leave, Dr. Lawrence is saying he favors general institutional aid, but would like to condition it on maintenance of effort by the States, and on the needs of the institutions.

Is that correct?

Mr. **Lawrence.** Needs of institutions and States.

Mr. **Brademas.** OK. What I am now asking is, would you be willing to give us a document that sets forth your proposal for meeting these criteria?

Mr. **Lawrence.** That answer to that is, "Yes."

Mr. **Brademas.** Fine.

Mr. **Hogan.** Did you mean both of these, Ben?

Mr. **Lawrence.** I would prefer to have those rewritten and give you one document that specifically answered that question.

(The document referred to follows:)

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION,
Boulder, Colo., May 17, 1971.

Representative EDITH GREEN,
U.S. House of Representatives, Committee on Education and Labor, Special Subcommittee on Education, Washington, D.C.

DEAR EDITH: As you requested in our discussions at your subcommittee, I am enclosing a copy of "A General Assistance Plan for Higher Education" which has been prepared by our Research Unit. We have nearly completed a proposal for submission to the U.S. Office of Education pertaining to further interests in this area and have been in contact with the Office of Program Planning and Evaluation concerning the matter.

Dr. Robert Wallhaus, Director of our Research Unit, has done the bulk of the work on this concept and both he and I would be available for discussions if you believe it to be important.

Sincerely,

BEN LAWRENCE, *Director.*

A GENERAL ASSISTANCE PLAN FOR HIGHER EDUCATION

(By: Dr. Robert Wallhaus and Dr. Ben Lawrence)

Perhaps the most pressing issue in higher education today is concerned with federal support - what form it will take; what financial need it will address; who the recipients will be; and how the resulting financing plans will be implemented, controlled, and evaluated. In order to develop a plan for providing federal support of higher education, certain studies should be systematically undertaken: identification of the financial needs of higher education, definition of the possible recipients of funds, development and analysis of alternative approaches to making funds available, specification and testing of the mechanisms (the guidelines or formulas) by which the plan would be implemented, and identification of the magnitude and sources of revenue required.

Unfortunately, these studies have not been systematically carried out, but rather they have been addressed piecemeal, resulting in a paucity of satisfactory solutions. Yet, a viable approach for supporting higher education financially is urgently needed, even if the approach represents an interim solution based on untested assumptions which are not yet thoroughly tested. It is the purpose of this paper to present a general assistance plan for states and institutions which provides an interim solution to an assumed financial crisis in higher education and at the same time forms the basis for longer range studies of the broader aspects of federal financial support to higher education.

The underlying rationale of this financing plan is to assist those institutions and states most which are trying hardest to support higher education when compared to their potential financial ability to do so. The plan would distribute proportionately larger amounts of federal support to those states and institutions which are drawing most heavily upon their potential state and local sources of revenue. It is assumed that such states and institutions have little, if any, untapped revenue capacity left to provide additional funds for higher education. It is suspected that financial need in higher education is closely related to this uncommitted capacity.

In determining the revenue ability of a state one must consider both state and private sources. Dollars from these sources constitute the major pool for operating funds available to higher education. If a state is funding higher education to an extent which ranks its effort for support of higher education relatively higher than other states, it should receive additional support. An institution should receive additional support to the extent that it draws on private sources to generate more revenue from its constituency compared to other institutions.

The states and institutions which have historically drawn most heavily on their revenue capacity are likely to have used up their potential economic reserves. Thus, if higher education is in financial difficulty, those states or institutions most committed to providing educational services have used up their economic reserves in the process of their great effort, and they are experiencing financial crises. Understanding their commitment and dilemma, this plan would fund such states and institutions to a proportionately larger extent.

There are two interrelated parts to this plan; both general assistance to the states and general assistance to the institutions would be provided.

In the state funding portion, all states would be ranked according to established economic parameters, such as per capita income, gross state product per capita, and real property value per capita. Such variables are indicative of a state's potential revenue ability, and comparing these variables for each state would allow one to rank the states according to the extent to which each is utilizing its revenue capacity in support of higher education.

To be more specific, the states would be ranked according to the following ratio:

$$\frac{G/n \text{ (Gross State Product per Capita)}}{A/s \text{ (State Dollars per Student Allocated to Higher Education)}}$$

While the best combination of economic parameters to utilize should be the object of additional study, gross state product and state allocations to higher education will serve to illustrate the underlying concepts and mechanisms for distributing funds under this portion of the general assistance plan.

The actual list created by ranking the states in descending order according to this ratio would look something like this:

Table 1: Ratios of Gross State Product per Capita to State Dollars per Student Allocated to Higher Education

State	G/n	(Gross State Product Per Capita)	A/s	(State Allocations to Higher Education per Student)	$\frac{G/n}{A/s}$
1	6,000		$\frac{120,000,000}{200,000} = 600$		10.0
2	5,000		$\frac{750,000,000}{1,200,000} = 625$		8.0
3	5,500		$\frac{350,000,000}{500,000} = 700$		7.8
-					
-					
-					
-					
-					
50	3,000		$\frac{90,000,000}{90,000} = 1,000$		3.0

The larger ratios would correspond to those states with relatively high economic capacity but relatively low allocations per student to higher education. Those states funding higher education substantially more, compared to their economic capacity for funding, would exhibit smaller ratios. That is, the lower the ratio, the greater is the state effort in supporting higher education. It should be noted that there will be clusters of states on this list and possibly some ties in the rankings. On the other hand, there will also be some instances where wide gaps appear between the ratios of two successive states on the list. Note that in Table 1 while State 3 has a somewhat greater economic potential than does State 2, it is also making a substantially larger commitment in the form of state dollars per student allocated to higher education than State 2; thus, it has a lower $\frac{G/n}{A/s}$ ratio and ranks below State 2 on the list. The actual number of total dollars allocated to higher education by State 2 ($750 million) is, however, considerably greater than that allocated by State 3 ($350 million), but its relatively larger student population (1,200,000 students as opposed to 500,000 students for State 3) results in a smaller A/s (625 compared to 700).

The dollars appropriated by Congress for state distribution to higher education would be given to the states in proportion to the number of students in the state, but weighted according to the ranking of the state on this list. The states showing the greatest efforts in support of higher education would receive proportionately more dollars per student than the states which chose to spend state dollars for another purpose or did not draw upon available revenue sources to the extent possible. That is, the actual distribution of federal dollars to the states would attempt to equalize efforts in support of higher education compared to revenue capacity across all states.

There are many ways this distribution could be made, but all follow the same general rationale. All distribution formulas would attempt to supply federal funding in a manner which would tend to equalize the ratio $\frac{G/N}{A/s}$

across all states. For example, let us consider how the ratio for State 50 (now equal to 3.0) can be made equal to 10.0 (the ratio corresponding to State 1 on the list). The gross state product per capita (G/n) cannot be changed by federal funding, but the state allocation to higher education per student (A/s) could be changed by funneling additional federal money through established state channels to higher education. In order to make G/n divided by A/s for State 50 equal to 10.0 by changing A (state dollars allocated to higher education), we work backward to note that 3000/300 = 10.0, so that A/s must be set equal to 300. With s fixed at 90,000, A would need to be set at $27 million to obtain a ratio A/s = 300. Thus, $63 million ($90 million minus $27 million) or $700 per student would be required by State 50 under this equalization scheme. It is interesting to observe that State 2 would require $150 million ($125 per student) under this same approach due to its large student population, even though it has a large ratio. The actual dollar amount received by a state and, hence, the total amount of federal funds required is highly dependent upon adjustments which can be made to the equalization process.

It must be emphasized that many different equalization mechanisms are possible, and it should be a primary objective of future study to investigate a wide range of such approaches. For example, we could establish a target ratio of 15.0, in which case all states would receive relatively more funding. (It should be realized that with a ratio of 10.0, State 1 would be the only state which received no federal support whatsoever.)

Alternatively, we could select a cut-off ratio such as 7.0 and specify that all states above 7.0 would receive a fixed general assistance amount per student, perhaps calculated on the same basis as the dollars per student awarded to the state having a ratio approximately equal to 7.0. Or, suppose $2 billion of federal assistance would be required if we attempted to make the ratio for all states equal to 10.0. It would be possible to reduce this figure to $500 million by simply dividing each state's share by a factor of 4, yet the equalization across all states would still be maintained. The point to be emphasized is that a great deal of flexibility is built into the general distribution approach, both with regard to the total dollar requirements of the plan and the definition of "equalization" utilized.

It is easy to see that those states which are utilizing their avaliable revenue resources most extensively in support of higher education and have made the greatest relative commitments to higher education will receive proportionately more federal aid. Basing federal funding on the criteria of this plan will strengthen the incentive to provide more state funds for higher education and to use available funds as effectively as possible. This portion of the general assistance plan would strengthen the role of the states in higher education.

The rationale for the institutional portion of the general assistance plan is quite similar to that which forms the basis for the state portion just described. Those institutions which depend heavily on private sources of income (such as tuition and fees, endowments and foundation grants) and are located in states which have a relatively low economic potential and those institutions which strive to serve the low income population of the state would receive the largest shares of federal funding. Federal funding to institutions would be direct and would be delivered in proportionate amounts per student. That is, institutions which are heavily dependent upon revenues from private sources, but whose students on the average come from a state with a relatively low population revenue potential, as measured by such variables as per capita income and minority or poverty populations, would receive proportionately larger amounts of support per student.

To illustrate the conceptual basis and distribution mechanisms associated with the institutional assistance plan, the following representative ratio which would be calculated for every institution.

$$R = \frac{I_i * s_i + I_o * s_o}{s} \div T/s;$$

(The weighted average per capita income per student divided by the total income received by the institution through tuition and fees per student)

where, I_i = the per capita income of the state in which the institution is located

s_i = the number of in-state students attending the institution

I_o = the national per capita income

s_o = the number of out-of-state students attending the institution

Thus, the term $\frac{I_i * s_i + I_o * s_o}{s}$ is the weighted average per capita income per student for the institution (where $s = s_i + s_o$, the total number of students). This weighted average is divided by the total income received by the institution in the form of tuition and fees per student (T/s).

When all institutions are ranked according to this ratio, those institutions whose students are drawn from a high per capita income population, but which also depend on a relatively small income per student from private sources (as represented by their total tuition and fees income) will have a higher ratio. On the other hand, an institution which has a high income per student from tuition and fees, but draws this revenue from a student population which is representative of a low per capita income population will exhibit a smaller ratio.

The following table showing the ranking of hypothetical institutions according to this ratio can now be consulted to more carefully explain the underlying principles of the general assistance plan for institutions.

Table 2: Ratios of Weighted Per Capita Income per Student to Institutional Income Derived from Tuition and Fees per Student

Institution	(In-state Students) s_i	(In-state per capita income) I_i	(Out-of-state Students) s_o	(Nat'l Avg per capita income) I_o	(Tuition & fees per Student) T/s	R
1	500	3,000	500	3,500	500	6.5
2	10,000	3,500	2,000	3,500	900	3.9
3	20,000	2,000	4,000	3,500	600	3.7
4	7,000	4,000	7,000	3,500	700	2.2
-						
-						
-						
n	1,000	2,500	5,000	3,500	3,000	1.1

From this table it is evident that large per capita incomes and low private revenues for the institution tend to produce high ratios. On the other hand, those institutions which exhibit relatively higher tuition and fee incomes per student but are associated with lower per capita incomes, gravitate toward lower ratios. It should also be apparent that the relative difference between the ratios for any two successive institutions on the list could be substantially different. There would be ties and clusters of similar institutions. In general, private institutions would exhibit lower ratios, while public institutions which derive a relatively minor portion of their total operating income from tuition and fees would have higher ratios. The actual dollar amount of federal support which an institution would receive is calculated according to the same principle employed under the state assistance portion of the plan. In this case it is the parameter tuition and fees, T, which is adjusted to equalize the ratios. For example, suppose we wanted to make the ratios for all the institutions on the list equal to that for Institution 4 (which is 2.2). It is clear that we must change the ratio for Institution n by a factor of 2 through adjustments in tuition and fees, T. T/s is currently $3,000 per student, or since Institution n has 6,000 students, T must be $18 million. The appropriate adjustment would be to set T/s = 1500 which essentially requires lowering tuition by $1,500 per student. In order to accomplish this, Institution n would need to replace ($1,500 per student) x (6,000 students), a total of $9 million. This would be the financial assistance awarded to Institution n under the particular equalization scheme utilized, and all other institutions would be handled in a similar fashion. It should be realized that a sliding scale phenomenon is operative depending on the so-called target ratio. The ratio 2.2 of Institution 4 is by no means the only possibility. If a higher ratio is utilized, more federal funding would be directed to the institutions in the form of general assistance; if a lower ratio is used in the equalization process, certain institutions with very high ratios would receive no financial support unless a minimum level of funding for all such institutions is specified. Perhaps the best way to make adjustments to the total amount of federal dollars required is to change the amount calculated for all institutions by the same factor. That is, suppose $500 million would be required to implement the institutional assistance plan based on the ratio 2.2 utilized in our example. The assistance offered could easily be reduced to $250 million by cutting the amount calculated for each institution in half, in which case Institution n would receive $4.5 million instead of the $9 million previously calculated. In all cases, however, the funding received by an institution is dependent upon its relative rank as determined by the value of the ratio calculated for that institution. An important concern of any future study is to analyze the relative impact on institutional assistance which results from attempting a wide range of target ratios.

The per capita income and tuition and fees parameters would also require further study. For example, T/s varies across institutions in the country by a factor of about 20, while per capita income varies among the states by a factor close to 2. In view of these factors, it is generally true that the ratios calculated on the basis of these variables are approximately ten times more sensitive to tuition and fees than they are to differences in per capita income. It would be particularly desirable to search out a variable related to per capita income which better reflects the student revenue source in the various institutions. Such a variable might be personal disposable income for college students by state if this information could be readily and accurately derived from available data. In any case the need for additional investigation should be evident.

It is relatively easy to see how one might make adjustments for minority or poverty level student populations. One example would be to adjust the weighted average per capita income per student by including more factors such as per capita income for minority students, I_m, and for poverty students, I_p. The weighted average would then become

$$\frac{A_i * I_i + S_o * I_o + S_m * I_m + S_p * I_p}{S_i + S_o + S_m + S_p}$$

where $s_i + s_o + s_m + s_p$ is the total student population.

Certain ramifications of the general assistance to institutions portion of the plan are quite subtle. It would seem at first glance that an institution could generate more federal support by raising tuition, but this assumption holds true only if it does not experience a concomitant decline in the number of students enrolled. Further, it may seem that an institution would attempt to increase the number of in-state students enrolled if in-state per capita income is relatively small or to increase the number of out-of-state students in relation to the number of in-state students if the national average per capita income is lower than in-state per capita income. But it would be difficult for a private institution to change its student mix without the effect of the tuition lever being employed across the board; a public institution would need to take its state support into account before manipulating tuitions to gain a desirable student mix for purposes of additional federal financing. In fact, the two aspects of this plan are interrelated and in many ways provide consistent incentives. For example, it would be advantageous for a state to support financially an institution which is highly dependent upon private in-state income to raise the quality of its education or to lower tuition and fees and attract more students. In this way both the state and the institution would benefit. The state has increased its commitment to higher education and would thereby receive more federal funds. The institution has increased its number of students and when federal financing is based on dollars per student, the institution would receive correspondingly more dollars.

One of the primary purposes of additional study should be to document the effect of the general assistance for institutions portion of this plan on various subsets of colleges and universities. For example, the unique financial needs of the "national universities" should be carefully considered as financing plans are developed. This specific general assistance plan does not single out such institutions for special attention. Rather, the recommendation is made that categorical grants and contracts be continued in the short range, but that longer range studies give careful consideration to identifying the unique financial needs of the "national universities" and attempt to incorporate these characteristics into financial assistance plans.

Considering the overall plan, one can see how certain objectives are encompassed. (1) Basing federal funding on this general assistance plan will benefit those states and institutions which effectively plan and manage higher education. For example, plans which are based on institutional costs would tend to encourage higher levels of expenditure, but would not necessarily promote greater efficiency or long-range planning. (2) This plan does not curtail other sources of revenue; in fact, basing federal financing on the most effective use of resources available stimulates the use of a state's revenue. (3) Certain automatic control mechanisms are built into the plan. For example, if a state feels the financial need of its higher education institutions has been relieved because of federal aid and, thus, cuts back on the portion of its budget allocated to higher education, the variables which determine this state's rank relative to other states change: the state exhibits a higher ratio and federal funding is reduced proportionately.

Normally, a state cannot increase tuition rates, thereby raising the amount of in-state support and expect an increase in federal funding; the tuition increase would likely result in a lower student population and a subsequent decrease in federal aid. (4) Most importantly, the plan incorporates strong incentives for institutions and states to provide "more" higher education in terms of both quality and quantity. The underlying basis of this plan is to strengthen large state or institutional commitments to higher education.

Mr. **Brademas.** This is the financing higher education document?

Mr. **Lawrence.** Yes; these are complicated documents, you know; I think most people would get turned off, having to read those two documents.

Mr. **Brademas.** I don't mind being turned off, as long as it represents what you believe.

Mr. **Lawrence.** It represents our approach at the present time; our current beliefs. As I said earlier to the committee, we have not had a chance to put the numbers into these kinds of operations to see if they really work.

Mr. **Brademas.** Well, this is a matter of extreme urgency. Do you think you could get us this information as fast as possible? We are starting to legislate on this.

Mr. **Lawrence.** And I answered that "Yes," and I said that I did not think I could get it within a week, as Mrs. Green had asked.

Mr. **Brademas.** Oh, it has already been asked.

Mr. **Lawrence.** But I will try to get information, and we are advising a longer term effort in getting this job done.

Mr. **Brademas.** Fine.

Mr. **Dellenback.** So far as those particular documents are concerned, Dr. Lawrence, are you telling us that you want to submit a new document in their place.

Mr. **Lawrence.** Well, those are technically written. They are not written for—I am sure, if you took time, to sit down and read it, and study it, you would understand it. It isn't that kind of thing; it isn't that complicated; but it is not written for the convenient reader.

Mr. **Brademas.** Well, I do think you are quite right in your statement on page 7, if my colleague will yield for one last observation, that we have not adequately analyzed or developed the alternatives for addressing need.

Mr. **Lawrence.** And that's really my main concern.

Mr. **Brademas.** And that's your point and that is why I think your statement is so very important, and I thank my colleague.

Mr. **Dellenback.** I couldn't agree more, John, and I think that we all agree on this subcommittee that the question of need and the proper method of measuring it and what to do about it is a fundamental problem. Anything that will help us in that direction is most valuable.

Mr. **Brademas.** Thank you, Dr. Lawrence.

Thank you, Mr. Dellenback.

Mr. **Dellenback.** May I return to the question of innovation and change? Would you have any comments, Dr. Lawrence, that you would make to us on the subcommittee about such proposals as were contained in the Carnegie Commission, "Less Time, More Options," where they talk of the need for real innovation and reform, and for the type of thing that was involved in the Newman Task Force and its report about the desirability of change?

Mr. **Lawrence.** When we refer to the kind of things, "less time, more options," that is the kind of thing that is possible within our institutions of higher education. Many of our institutions are committed to that philosophy in theory, but not in practice.

Not too recently, the California State college system, Chancellor Dumke, following up on the Kerr Commission report, urged his regents to make operations of this type available to the California State college system, for example, and of course, in the traditional way that higher education handles such things, they are referred to a committee.

The board of regents is committed to this kind of path. There are many people within the institution who are committed and pushing toward this type of thing. The difficulty is to get it through the bureaucracies, into practice.

I concur with many of the things in the Newman report, and in the Carnegie Commission's reports. In fact, I guess I concur, when it comes to change, with almost all of them. Not all. I think in some cases, the tone of the report was making the assumption that many people in institutions of higher education are not doing anything, and I become critical of a report that tends to downplay the current efforts in higher education to do something constructive.

On the other hand, I concur that one way to get it done is to repeat it over and over and over again, that we have to change.

How you bring practice into coping with the philosophy is a significant management problem, as opposed to a policy problem. I agree that that kind of change is necessary, such as you have outlined. And there is no reason why it can't be done now, given the current state of our technology in higher education.

Mr. **Dellenback.** What is stopping it, aside from inertia?

Mr. **Lawrence.** Attitudes, inertia. That is what is stopping it.

Mr. **Dellenback.** How about moneys?

Mr. **Lawrence.** The current fiscal situation does slow down innovation, without a doubt. When you are strapped for funds, you don't generally take on something new, because the process of changing costs you some money. So you tend to continue to operate just as you have been operating, because it is less expensive. It is not very likely that innovative change will come about during a severe fiscal constraint. It is just not very likely.

Now if it got bad enough so that you had to cut off the arm, in order to save the body, then perhaps someone would say, "Well, you know, we are going to die anyway, so we may as well cut off the arm and do something differently."

That could bring about change, more radically than the present situation.

Mr. **Dellenback.** Do you disagree with the point that is at least argued by some people, that the very fact of the economic stringencies that affect much of higher education at the present time can possibly help to bring about significant change, which is desirable, rather than strictly undesirable change?

Mr. **Lawrence.** The economic situation is bound to have one effect and one effect only on change, in my judgment. That is, to try to find ways to do it cheaper. Cheaper isn't always the most effective. There is a difference between efficiency and effectiveness and I am sure that we want to be effective in higher education, rather than just cheap.

I think there is a difference.

On the other hand, I do agree that given the numbers of people in institutions of higher education that do want to bring about a change, there are bound to be places where change will be brought about, and innovation will come.

But generally, it will—that isn't the best way to create change. The best way to create changes is in the atmosphere where you do have flexibility of funds, as opposed to being right up against the wall. Management practices are changing in higher education today because economic resources are not there. And so consequently, out of sheer desperation, institutions of higher education are changing management practices. That is true.

The relationship between management practice and solving your fiscal problem is obvious to almost everyone. The relationship between the financial crisis and educational change, as opposed to management change, is not quite so obvious. I think there is a relationship, and perhaps we could do things cheaper, and at the same time, do them more effectively.

But it is not likely to occur, in my judgment, as frequently as we would like it to, nor as rapidly as is necessary for higher education.

Mr. **Dellenback.** I feel very strongly that at least sections of the educational industry, if we may so phrase it, are in the sort of serious financial problem that call out for help from us, and we must step in here to be of help. I see similarities, however, between business enterprises and education enterprises.

Similarities, of course, break down at some stage, and I know that in the field of business enterprises, oftentimes, it is in the period of financial stringency that they face up to problems that they otherwise do not face up to, and end up doing not only more cheaply, if you will, but also more efficiently, and more effectively, things that they just were not doing in times when money was no object. When money is not so plentiful; they find that they can make economies, which are oftentimes highly beneficial.

Those of us who, from either a State or a Federal level, find our whole funding in tax dollars, I think, have a very heavy obligation to make sure that those dollars are used, I would say, efficiently and effectively, and opposed to your use of the word "cheaply."

I think there are psychological differences between the two, and maybe more than that. Wouldn't you agree with this?

Mr. **Lawrence.** I agree with that 100 percent, and when you start talking about segments of higher education, you are also opening up the issue that I have raised, that not all institutions are like, and not all institutions need the same amount of assistance.

Some institutions are in a position of feeling the strain of economic circumstances, and not living according to the style that they are accustomed to, and for those institutions, some educational change would be very beneficial, and may well be brought about because of the economic circumstances.

But in terms of the total effect, you know, you have got a different kind of an animal. I agree with your statements. When you start talking about segments of higher education, this is why my stress on a needs test of some sort, to determine how you are going to put the money where your money will have an effect, and when those people do not manage efficiently and effectively, they should not be rewarded.

Mr. DELLENBACK. Let me ask one more question on this, and then we will move on, and I am looking forward to your explanation of the financial formula that you have promised.

If there is call for innovation and change, and if you start by saying this means first, you must have financial solvency on the part of the institutions rather than financial crises. Whether you use exactly those words, you are saying first we must be sure that the educational institution is stable, rather than in time of great crisis and pressure for changes.

Would we not agree that to help bring about desirable innovation and change, it will take money? And if your answer to that is yes, then how would you see the Federal infusion of dollars best channeled to help bring about those changes which are indeed desirable?

Through what type of institution? Through the Secretary? Through direct block grants to States? Through general aid to education, in sufficient amount to permit an institution to do what it would, or through some other type of organization?

Mr. LAWRENCE. To answer your question, I believe change comes about when there is a sufficient critical mass desiring change. And I am arguing that within our institutions of higher education, we are about at that place where the critical mass desiring change is going to rise up and say, "We are going to change."

Now I believe the time has come.

Consequently, I believe general assistance to institutions of higher education is probably going to be the most overall effective way in which the Federal Government can bring about change in institutions of higher education.

This is conditioned by a lot of caveats, and so on. So consequently, I suspect that I would also add some other kind of a mechanism, in a categorical way, to identify specific situations and bring them to the attention of everyone in higher education, to demonstrate what change could do to make higher education more efficient and effective.

But I really do believe we have a critical mass of people, students, parents, faculty members, shouting out for a modified higher educational process, and I do believe it is going to come about.

You know, when you get the Carnegie Commission persistently hammering away, and you get the Newman report coming out, and you get these things coming up, it indicates to the establishment, as it is referred to, "You had better change, or else."

I think that change is going to come.

I would hate to see—"hate" is too strong a word—I would not like to see the Federal Government assume that it could decide the direction of change. I would rather see that diversified to the institutions. General assistance seems to me to be the most appropriate approach. I do believe that the Federal Government should continue with its categorical grant programs, aimed at making specific kinds of changes.

I do not think that should be stopped. I think the Federal Government has a responsibility to push and to prod on the side as well.

Mr. **Dellenback**. Thank you, Madam Chairman. I think there are others. Mr. Daniels has been most patient.

Mrs. **Green**. Mr. Daniels.

Mr. **Daniels**. Thank you, Madam Chairman.

Dr. Lawrence, I want to compliment you for your testimony here today, I was tremendously impressed as a new member on this committee, and even though I am a veteran member of the Education and Labor Committee for 12 years, I have not served on this subcommittee until this year, and I am indeed lacking in the knowledge necessary to comprehend a very complex and intricate piece of legislation such as we have here today.

Mrs. **Green**. Would my colleague yield?

Mr. **Daniels**. Yes.

Mrs. **Green**. This modesty becomes him, but it misrepresents his position entirely. I would just say for the record that through the years, as I have observed the gentleman from New Jersey, I have had a greater and greater respect for him as the chairman of the Select Subcommittee on Labor on which I am privileged to serve. I consider him to be one our hardest working and most conscientious members of the committee, and with the rare ingredient, commonsense, along with a keen intellect.

Mr. **Daniels**. It was very kind of you to say that, Madam Chairman, and your kind words embarrass me.

Mrs. **Green**. They are accurate.

Mr. **Daniels**. Dr. Lawrence, you have made some comments, remarks with reference to assistance to higher education. That much more information was needed with regard to planning and giving general assistance. You said general assistance at the present time is most urgently needed.

Are you suggesting the data bank be maintained here in Washington, compiling information on all our institutions of higher learning?

Mr. **Lawrence**. Yes, I am suggesting that a data bank be made available. It does not necessarily have to be a data bank in the computer sense. But data to be maintained, collected, and analyzed, and readily available for interpretation by individuals making studies of higher education problems in the United States, and there ought to be some team that is thoroughly familiar with the problems of higher education, and the data that is collected, in order to do specific studies for the President's office, for Congress, and for States, if necessary, to help them understand the national needs for higher education.

Mr. **Daniels**. Now until that information is gathered and studied and recommendations made, you are not proposing that this general assistance be withheld.

Mr. **Lawrence**. I am not proposing that the general assistance be withheld. I think last year, I probably would have, if I had been asked that direct question. But at this point, I have access to the information in institutions of higher education that lead me to believe that we have a severe financial crisis in higher education institutions, the deficits are mounting, institutions are indeed closing, students are finding it more difficult to get into institutions, States are becoming prohibitive in terms of allowing students to transfer from one State to another.

There are increasing obstacles to students getting into institutions of higher education, as a result of the fiscal crisis, and this concerns me greatly.

Mr. **Daniels**. All right, now, to pursue this a little further, do you think it would be advisable to have some demonstration, pilot programs, when this data is gathered?

Mr. **Lawrence**. Oh, yes. I think this would be——

Mr. **Daniels**. As a forerunner to this, to funding and financing these programs.

Mr. **Lawrence**. As a forerunner. I don't think we can wait.

Mr. **Daniels**. In other words, what I am saying is, you would not withhold the funds at the present time. We should continue.

Mr. **Lawrence**. No, I would not. I believe, given the two pieces of proposed legislation, I prefer the one submitted by the chairman of this committee, which deals with credit hours earned, over the one with degrees and an output-type measure. And I prefer that, because I think it would be more equitable than the other one. But I do not believe that in the long run, these are satisfactory indicators of need, financial need in institutions of higher education.

If we are concerning ourselves with the financial crisis in higher education, and our concern is financial, then we ought to look to those indicators related to finance, to find out if we are assessing need, and not to some measure of faculty load or student load, which the two proposed bills are really getting at.

Student credit hour is a load factor in an institution of higher education, and load varies with the size of the institution. The marginal opportunities, as the institution gets larger, in both of these bills, lends all sorts of problems in terms of equity. If all institutions were alike, if all institutions had the same problem, then these would, in fact, suffice.

Either one of them would suffice. I currently prefer the one with student credit hours earned.

Mr. **Daniels**. Thank you very much. I have no further questions, Madam Chairman.

Mrs. **Green**. Dr. Lawrence, I just asked Mr. Hogan if he would check on the appropriation for the National Center for Educational Statistics. He tells me that while they don't have a line item budget, that for 1970, they had $1.9 million; for 1971, $3 million; and for fiscal year 1972, a request of $3.25 million.

Do you think that is sufficient to do the kind of a job that you suggest, and the kind of a job that many people in higher education have testified needs to be done?

Mr. **Lawrence**. I am aware of those figures, because I have been so concerned about the process that I got them. A number of people have asked if I could do anything to encourage Congress to give more money. My problem here—and that is why the tone of my letter to Commissioner Marland was as it was—is that I know nothing of the internal operation of NCES, from a management point of view. I have no way of determining all of the priorities, and all of the workload that is imposed upon the National Center or the Office of Education.

So consequently, I don't know if that level of funding is sufficient to meet the priorities that we in higher education have expressed, and all of the other priorities that must be demanding it or not. I am not in a position to judge. It is disconcerting to me that that budget has continued to rise, and the information that we are getting has continued to go down.

Mrs. GREEN. Of course, that was also one of the reasons I have been critical of both the Rivlin and the Carnegie reports on students assistance. They used, in one case, early 1960 figures, before any of the student assistance programs went into effect.

Mr. LAWRENCE. And if you asked me today to do a study of similar characteristics, I would be hard pressed to come up with data that was comparatively much better because the data would have to be collected, and I guess I am also concerned in that in some cases now, the data is available in the center, but it hasn't been processed, analyzed, or put into a format where those of us who feel we need it for analysis purposes can get our hands on it.

Mrs. GREEN. Perhaps we should take a look at that, as well as their contracting division. We find absolute chaos there, and it isn't through lack of funds. I am wondering if in the Center for Educational Statistics we would find the same situation.

Could I ask you if you wrote to Commissioner Marland before this April 15 letter?

Mr. LAWRENCE. I did not; about this. About this subject, I did not write before April 15. But in determining to write this letter a number of agencies, as you are aware, endorsed this letter. And they have, on previous occasions, written, spoken, sent delegations not to Commissioner Marland, but the former commissioner, concerning the priorities of the higher education general information survey and the National Center for Educational Statistics.

I should indicate, as I have indicated in that letter, that we have received a very favorable sign from the National Center itself, in that we have been asked to conduct the Seventh Annual Conference on the Higher Education, General Information Survey, that will be held on June 21 through 25. The conference will be held in slightly different format than previously when it was conducted by the Office of Education, as we intend to spend the first 3 days talking about national priority problems, in order to determine what the problems are that we want the information to address.

We will be bringing in people—Frank Newman for one—who we believe will reflect the national problems and this kind of thing, in order to have a dialog about what are the problems that the Federal Government is apt to be facing in the next 5 years or so.

And during the closing days of the conference, we want to address ourselves to the kinds of information that we are probably going to need, 3 and 4 and 5 years from now, in order to address those problems. And the Office of Education solicited this of us, so it indicates that, you know, we have got their attention, and we are pleased for that, and we have indicated so in our letter to Commissioner Marland.

Mrs. GREEN. Dr. Lawrence, on page 7, paragraph 3, you say that title VIII of the bill introduced, which is the provision for institutional aid, "Appears to be a rich get richer and the poor get poorer approach."

Let me tell you the reason the formula was worked out in the manner it was. We had the weighted factor, that the smaller institutions would get the advantage, that the first 200 students would get $300, and the second 200 students would get $200 each. Then for each student after that, it would go into the formula of $100 for a lower division student, $150 for an upper division student, and $250 for each graduate student.

The intention was that it would give the greatest aid to the smaller colleges, which I have been persuaded were the ones in greatest financial difficulty.

Why do you feel this is a "rich get richer, poor get poorer" approach?

Mr. LAWRENCE. Primarily because, when you talk about what financial assistance does to an institution, you have got to take into consideration its base operations. If you add $2 to a $10 budget, because there is one student, or something, and you add $100 to a $90 budget, you are increasing the disparity level between the two institutions.

Let me be very specific. This kind of a bill, applied to, say, the black colleges, or the small privates and publics, very often small publics, be they white or black, and there are some rather well-to-do small colleges, so it can't be a generalization, will increase the disparity and the larger institutions that get more money will continue to be able to pay better salaries and attract better staff, and provide better conditions, and proportionately better conditions for their students.

And while you will do something for the absolute improvement of those institutions, it will be perceived as not being very great, because the disparity between the larger institutions—and it is not as just a function of size, it may be large private, which is quite small—but you will increase the disparity and increase the perceptions, and faculty, the good faculty will go to the good institutions, and the poorer faculty will go to the poorer institutions, the good students will continue to go the good institutions, and the poorer students will continue to go to the poorer institutions, and so on. Because the disparity between the two is increased, rather than reduced.

This is why I believe it is so important to stress financial need, and to have some equalization or equity factor built into the formulas.

I think weighting the student credit hour, as you have suggested, would have a favorable effect, and I would personally be pleased to see it weighted. It does make it more effective, and it will not work evenly, in that there are some rather well-to-do small colleges, but I think weighting it would be an improvement.

I haven't had a chance to go back and put some numbers into this. But I have a feeling off the top of my head weighting it would, in fact, improve H.R. 7248.

Mrs. GREEN. We also, for the black colleges, do have title III, that is for developing institutions, with a triple amount of money.

Mr. LAWRENCE. Yes.

Mrs. GREEN. Would you explain now for the record exactly what it is you are doing, how it got started, and the nature of your study?

Mr. LAWRENCE. In 1966, a number of institutions and agencies in the West were concerned about what they perceived to be an increasing attitude on the part of the local legislators to appropriate less and less funds to institutions of higher education, even in the face of increasing enrollments.

Resources were beginning to get tight. The allocation program was becoming severe. And a number of us were brought together, by the

Western Interstate Commission for Higher Education, at the request of the institutions, to discuss this problem.

At that time, our initial discussions suggested that we ought to have another cost study. That is, produce cost information in order to make comparisons between institutions and help us manage better, learn better ways of managing.

When we got together in subsequent visits, we finally came to the conclusion that another cost study was not desirable. We needed cost information, but what we needed was better ways of managing our institutions, and allocating the resources that we had. We felt that it would be possible to effect, not savings, but effect a reduction in the rising costs of higher education, by offsetting that against better management, and more efficiency in the institutions of higher education.

Consequently, a proposal was drafted to the Office of Education, that among the 13 Western States, several institutions, probably 15 or 20, would cooperate over a 5-year period, in the developing of such techniques for improving management.

The Office of Education looked at this, and were prepared to fund it, with the provision that the State of Illinois and the State University of New York were also included in the program.

It was funded, and in May of 1968, they began to search for a director. I was asked at that time if I would direct the program, and I was not interested. I enjoyed my job in Oregon. And subsequently, during the summer, I was approached on several occasions. I was finally persuaded to accept the job of directing this program, with the condition that I would not do so until July of 1969, when the Oregon Legislature had concluded its session.

They accepted this, and in the meantime, the institutions of higher education got together, formed task forces and began working on their problem and we began recruiting the other three staff members that were to work with me on this problem for the next 4 years.

As a result of those task forces getting together, the institutions became very proprietary about their project, and very interested. Their own staff worked on the problems.

When I moved to Boulder in July of 1969, much had been accomplished in this study already. It is a misnomer to call it a study. Our objectives are to improve the management of institutions of higher education. And this has led us into a number of avenues, but the first of which was to establish common data basis among the institutions participating.

That is, we are developing dictionaries of data elements, a very mundane kind of Webster's data elements dictionary.

Consequently, as a result of this, as common procedures for aggregating information, we intend to be able to produce what we call compatible information—information that can be compared. You can pick it up and fit it together, like a jigsaw puzzle, and the pieces will fit, and it will make sense. In order to reduce the nice factor, all of the obfuscation that goes on when we start talking about data.

This has progressed very well, and when the program started, we produced these data element dictionaries, we produced a practice classification structure, a taxonomy of institutional activities for institutions of higher education, and much to our surprise, institutions right across the Nation just said, "We want them, too."

And in 4 months, after the staff moved to Boulder, there were a large number of institutions making a plea to the Western Interstate Commission that they be allowed to enter this program also.

In December, the commission voted to allow other institutions from outside the West into the program for a small fee, until such a time as OE decided that they would fund the program at a higher level in order to pay for their participation.

In February, the announcement was made allowing these institutions to come in, and at the current time there are over 600 institutions and agencies and 1,500 campuses represented in the program. Data element dictionaries have been adopted by a very large number of institutions, and I do not know the number, but I know it is up over 500 or 600.

Mrs. **Green**. If I may interrupt at that point, for my colleagues. In an earlier conversation I had with Ben Lawrence—and if I am not quoting you correctly, please correct me—you said that you would have hoped that 30 institutions would come in; you would have been extremely pleased if 50 came in.

Mr. **Lawrence**. Yes.

Mrs. **Green**. And now there are 500 different universities, with 1,500 campuses.

Mr. **Lawrence**. And representing over 6 million students.

Mrs. **Green**. Which I think indicates something of the magnitude and the success of the program.

Mr. **Lawrence**. Well, then, we embarked upon the development of a very extensive resource requirements prediction model. For each institution to develop this alone would probably cost them in the neighborhood of $300,000 to $500,000. We cooperatively, through their contributed efforts, and through the dollars given to us by the Office of Education, have developed a resource requirements prediction model.

I suspect the total cost today, I can give you the exact figure back in the office, but it would be about $140,000 in the 2 years' development that has gone into it. That includes not only development of the model and testing of the dummy data, but introducing it into nine institutions of higher education, and actually running it at nine institutions of higher education, and in two of those institutions, it is being used by the administration in planning, for the operation of their institution. It is a planning model, that is designed to predict the resources required, given any set of assumptions you wish to make.

You decide you want to change the student-faculty ratio, you can plug that into the computer program, and it will tell you how many faculty you have to have, what it is going to cost you, how many rooms you have to have, and all of the requirements. And the advantage of this kind of a mechanism is that instead of just having one or two alternatives to look at in a short period of time, the decisionmaker can look at 10 or 12 different educational alternatives, or mixes of alternatives, and pick and choose that one which meets his budgetary constraints, and best suits his educational desires.

We have developed a number of instruments of this nature, and, of course, it would take several hours to describe to you these things.

The impact of this program has been just utterly amazing, to both the staff and to the participants. The program is directed by the institutions of higher education that are participating in the program through a representative executive committee and a technical council, made up of persons for the most part much younger than me, but with very capable, systematic understanding, most of whom are Ph. D.'s, but capable of handling and understanding new management concepts.

I have learned more than I have contributed to this project, and am very grateful for the experience.

You will find in some cases, like in California, that the legislative assembly has instructed all institutions of higher education that they must adopt each of the WICHE products developed. In States such as that, the products are developed and implemented almost as fast as they are developed.

In fact, California now is saying, "We need certain things that you are planning to do now, not next Christmas. And if you can't do it before then, we are going to go ahead and do it on our own."

So it is having a progressive effect, causing institutions of higher education now that they have seen these things will work, to go ahead on their own, and implement some of these, and develop and implement new management techniques.

Mrs. GREEN. I would make this one comment here. I think this points up exactly what you have said, and also what is my firm commitment, that the best innovation in the world is that which comes from the institutions, rather than that which comes from Washington. This originated in institutions in the West, realizing they needed better internal management, they got together and the application to OE for funds was made. That is their idea. I might also say that I wish that every region of the country had an organization as strong and as progressive as the Western Interstate Commission on Higher Education. I think this would help tremendously. I have watched not only this particular program, but I have watched programs, cooperative programs, in higher education, and programs in the field of mental health, programs in the field of correctional rehabilitation, juvenile delinquency prevention, and I am convinced that funds are saved in this way.

Mr. LAWRENCE. We have a training program that has become very effective, under the leadership of Dr. Robert Huff, who is the director of training in the National Center for Higher Education Management Systems. He is a very effective person. He is also from Oregon. This training program has been largely responsible for changing the attitude of the administrators right across the Nation concerning management.

This man is a very effective teacher, and has grasped the concepts of management and put them across in ways that administrators who are not familiar with these kinds of techniques can understand, and it is proving to be very effective and stimulating the concern for management of an institution.

May I suggest that while this program uses systematic approaches, and uses computers, it is basically a human emphasis program and calls for leadership on the part of management in institutions of higher education, with an understanding of new management techniques, more than it requires computers and data, and all of these other things.

The philosophical commitment to the use of resources to accomplish educational purposes is what makes this program. And the institutions are committed to educational practices. Now that resources are tight, they are committed to using those resources effectively.

It is going to take them some time. We are not going to solve this problem in 2 or 3 years, as we had originally—in fact, we didn't expect to solve the problem, when we started. We now have hopes that we are going to make a significant dent in the problem. We had thought that the program would be operated for 3 or 4 years, and a few institutions would change, and it would sit on the shelf, and then 10 years later, somebody else would pick it up. It looks as though we may have a significant impact on the management of institutions of higher education.

Mrs. GREEN. Thank you very, very much. I am anxious to hear about the needs test, but let me turn to Congressman Dellenback for any additional questions he may have.

Mr. DELLENBACK. No, I don't have any that I would ask at this time, Mr. Chairman. I think that this development, something that is helpful to have explained, as a background.

I would like to move on and hear what Dr. Lawrence might have to tell us at this stage of the game about this formula, and the specifics. I recognize we face—at least I face—something of a time problem. Madam Chairman, I don't know how late you plan to go on tonight, but I would like very much to get what Dr. Lawrence feels he can give us now on it, and then in your absence, the request was made by Mr. Brademas that he supplement some of what he is going to give us with a little fuller explanation.

Mrs. GREEN. Excellent.

Mr. DELLENBACK. And Dr. Lawrence agreed that he would do this particular thing, so that will supplement that which is said today.

Mrs. GREEN. We have provided a blackboard.

Mr. LAWRENCE. The concept involved in distributing these dollars is based on our concern for need, and in its details, we would build in a lot of factors of need, but I am only going to describe the principal ones, and it is based on the assumption that need is best described in terms of how hard the individual institution or State is trying in relation to its ability to try.

Need is not simply a factor——

Mrs. GREEN. Could I interrupt you there? Do you think that would be a good factor in terms of students today, that need would be based on how hard the student is trying?

Mr. LAWRENCE. In relationship to his ability?

Yes, in fact, we have thought about applying the same concept to students.

Mr. DELLENBACK. Is the chairman, if I may interrupt, referring to more than financial?

Mrs. GREEN. I am. Yes.

Mr. LAWRENCE. I wasn't reading that into it.

Mrs. GREEN. How hard he is trying. You know, if he tries hard in the summer, and earns money, that is related to financial need but it is related to other efforts, too.

Mr. LAWRENCE. Well, given this kind of a concept, first of all, we have to determine what the ability is. What could they have done if they wanted to, and what are they, in fact, doing. And that has led us, after a whole series of interactive processes, to saying that you have to give, under our proposal, aid both to the State and to the institution, and it is necessary, and I mean, if you do one only, it won't work.

But you have to give moneys to the State, and to the institution, and for the State, we have made the assumption that need can be expressed in several ways. We can suggest one as an example, but we have chosen only statistical data that is readily available through the Census Bureau, or through readily reported data in the higher education general information survey.

And if we take, for example, just what we call gross State product, we could take per capita income, we could take real property value, or we could take all three of those, and weigh them according to the desires of Congress, depending on which the various people thought was the most important, and divide this by State appropriations to higher education. We believe that this would be an indicator of how hard the State is trying in relationship to its capacity to do something, in terms of fiscal assistance to the institution of higher education, and if we then take that ratio, we can rank the States, all 50 of them, and assign any particular given pot of money that the Federal Government wishes to appropriate, and we can even suggest methods of determining how high, how big that pot of money ought to be. But you can distribute that money over the ranking of the institutions, based upon the relationships of the State appropriations for higher education, to their gross State product, or their per capita income, et cetera.

So it is feasible, if you agree with us, that, say, gross State product, divided by students State appropriations to higher education is an indicator of one, how much ability the State has, and how hard it is really trying in relationship to that ability, to rank the representative States according to their striving to serve higher education.

This would be primarily to public institutions.

Mr. DELLENBACK. If I may interrupt, this was my very question, that I was going to ask. You are dealing here, do I assume, primarily with State supported institutions, as opposed to the whole private complex?

Mr. LAWRENCE. Right. Now since you raised that question, one of the reasons we have gone this route, and we are talking about money to the State as opposed to State institutions, because we could use this same concept and give it direct to the State institutions and avoid the State; one of the reasons we directed this to the State was because some States, in fact, are funneling money to private institutions now.

And we did not want to rule out the possibility that the State may wish to appropriate that money to a private institution. In fact, we sort of think that this might be a good thing, and we would like to have the political leaders consider the possibility of encouraging that concept.

Now we can build factors in here to encourage it or discourage it, whichever you think is most appropriate. But essentially, here we have a way of distributing and we can add little whistles and bells on it to suit the various political constraints of distributing a pot of money of any given size to the States for distribution to their institutions of higher education based on a factor that we consider to be how hard they are trying in comparison to their ability to try.

We probably would tend to use a more sophisticated formula. We would use gross State product, real property value, and per capita income, and mix them ourselves, but you may wish to just choose one of those indicators, or you may wish to choose all three, or you may wish to look down the list of available statistics and pick something else.

But we believe that this is probably the best way to go.

That gives money to States, but it doesn't do much for the private institutions. And it doesn't do much for those institutions that only get State assistance; that are in the sort of quasi-State relationships, such as in Pennsylvania. And so we said, "Let's look at the institution's aid." And there are many more different ways we can go, using the same concept on the institution side, than I am going to suggest to you.

The one I am suggesting is that we first consider the State as a unit, and compare those institutions with the institutions only within the State boundaries, rather than trying to look at this problem from the whole national context. Because it is easier from the mathematical point of view to describe the thing within the setting of the State, rather than within the setting of the Nation.

But we want to give money to institutions and we want to find some indicators of how hard the people who make use of institutions of higher education are trying in relationship to their ability to try. And we have had a little bit of a difficulty coming up with indicators in this area. But in terms of ability to pay, when we are talking about the individual student or the family, and so on, we think that disposable personal income, or per capita income, is probably the best. We think that given the social problems in our society, that we would want to take per capita income, and modify that by some factor related to the population at or below the poverty level.

So we could call it poverty population.

Now you may wish to set that to zero. I would be inclined to say, let's not set that to zero, because I think we ought to add a little factor for poverty population.

And then I think we also have a factor of minority populations. Now you may want to set that to zero. You may not want to take into consideration minority populations, or for this kind of an effort, we can take per capita income, poverty population, and minority populations, and set up an indication of the ability to try in relationship to the income that these people have.

Then we would argue that in terms of how hard they are trying, the only indicator that we can get a hold of is the fees they pay to institutions, and argue that fees and tuition that they pay is an indicator of how hard the student is trying, because if the institution raises the fee, which institutions are doing now, students drop out because they have to give up. They don't have enough money. And if the institutions lower it, students enter the institution because they can; and we are assuming that the fees are set by the institution at a place where the people, the maximum of people, can in fact, pay and get in, and that it is set according to the law of supply and demand, and that it is an indicator of how hard the people who use private institutions are trying.

So, consequently, we would——

Mrs. Green. I am confused there. How would this indicate how hard they are trying? If they raise their fees?

Mr. Lawrence. I am sorry. We believe the fee is the best indicator; student and fees. Student tuition and fees is the best indicator of how hard students are trying to get into private institutions. Because if they were trying harder, the institutions would raise the fees, because they need more money badly, right now, and if they thought that the students could pay it, they wouldn't be here asking you for money. And that's why we are pretty sure, it is a pretty good indicator of how hard the people themselves are willing to try to get into a private institution.

Mrs. Green. What relationship does it have to this? This is where I am lost.

Mr. Lawrence. All right, so we take the per-capita income, modify it appropriately by this.

Mrs. Green. The per capita income income within the State?

Mr. Lawrence. Within the State.

Mrs. Green. Of everybody, not just people in higher education.

Mr. Lawrence. Of everybody. And we add up all of the tuition and fees specified by all institutions, both public and private, within the State. And so we have the summation, as we put it, of tuition, and fees. With this, we get a factor that we believe indicates, in this particular geographical region called a State, and this is in-State tuition. We do not include out-of-State tuition here, but we would include—I mean, it is tuition and fees paid by residents of the State. Because we would not want this biased by some factors outside of the State.

We believe that this gives us a relative ranking, then, of the States that are different than this. I won't list them all here, because there is a second stage to this. But we could rank the States then, relative to the peoples' willingness to pay tuition and fees at an institution of higher education, and in relationship to the average per capita income within that State.

Mrs. Green. Could I ask you one other question? Why don't you have that first factor over there on the left hand side in the factors to be considered under the State——

Mr. Lawrence. Per capita income?

Mrs. Green (continuing). Over here where you have per capita income and poverty population and minority population? Why isn't that in the State factor?

Mr. Lawrence. You could put it there, if you wished.

Mrs. Green. Why do you put it here, then? Let me ask it that way.

Mr. Lawrence. This is a political bias on my part. We feel that the problem with the poverty level population or minority populations is not so much associated with public institutions that tend to have lower fees. There is not such a barrier to those institutions for these people to get into as there is in the private institutions where it is higher. But it could be added here, just as well, if it was deemed to be important.

Mrs. Green. But the institution's side includes all institutions, public and private.

Mr. Lawrence. It includes all institutions, public and private, but as you will see, this formula will send most of the money to private institutions, and only a very small proportion of the money will go to public institutions, unless they decided to raise their fees. If they decided to raise their fees, then of course they would get more of this money and less of this money. And the advantage of this formula is that this one will go to the private institutions, unless publics start raising their fees, in which case they will get less here, and the private institutions will get more over here, if the State had the propensity to give it to them.

These two things will work together, so that we don't think anyone can manipulate the system. They won't be able to recalculate their statistics and come up with more dollars, or they won't be able to change their behavior and come up with more dollars, unless they change their behavior in terms of becoming more efficient as an institution and in terms of admitting more students.

Mr. DELLENBACK. Is this a percent of some figure or is that gross?

Mr. LAWRENCE. Yes. This would have to be changed to a percent figure. It would come not as relative ratio in relationship to each State and I haven't got that factor in there, but it would be—it doesn't have to be, because we can crank it out, statistically, so that it—we can mix the variables.

But for purposes of public demonstration, we would have to rewrite that document, to make it very explicit, what these ratios were.

Now the second step in this is to get the money to the institutions, and we are not proposing to have this go through the State, although you could say, "We are going to ask that each State write a State plan," based on certain criteria that we lay down, and the State agencies, which already exist, distribute according to a State plan, allowing each State to have some flexibility, if you so desire, but we would suggest that the Commissioner then rank the institutions within the State, based on their tuition and fees; tuition and fees over operating income, arguing that those institutions with a high tuition and fee, and a low operating income, are trying harder, so to speak, than those with a low tuition and fee and a higher operating income.

Now private institutions have a high tuition and fee, and generally, they have a low operating basis. Consequently, private institutions would rank higher on this, and receive proportionately more money than the public institutions, who would have lower tuition and fees, and proportionately larger operating income.

This money would then be distributed. The interesting thing is the relationships between the two formulas. A private institution over here could say, "Aha. If I raise my tuition and fees, I am going to get more money from the Federal Government," which is correct, assuming that more students came in. But once he raises his tuition and fees, some students will decide not to come. And it will drop and he will get less income, so he will only put tuition and fees at the place where he will optimize the number of students coming because that is going to get him the maximum amount of money, and he is going to think very carefully about raising tuition and fees in relationship to what the Federal Government gives.

This has the effect of not only giving assistance to the institution, but has the effect of making the institution be very cautious about what it does to students, and in effect, could be a form of student financial assistance, by keeping the tuition and fees down, in the private institutions.

A State over here, on the other hand, could say, you know, if we increase the income, we could give money to the private institutions and increase their operating income, in order to change that ratio, and we will get more money, over here, for the State, for higher education. And that is fine.

But then they are going to shift some things away from the public institutions, make it more convenient, so there is going to be a check and a balance between these kinds of things. The State institution could say, "Well, we are going to increase our fees substantially, and we still get in students," but when they do that, the two will interplay, and they will penalize themselves in terms of the amount of Federal aid that they would get.

There are some disadvantages. This may cause institutions to behave more and more alike, in terms of management. The State institutions may tend to raise their fees and become more like private institutions in that character, and that would not, in my judgment, be too desirable, and one of the bugs that we would like to get out of this is what can we do to insure that the State institutions don't raise their fees too much.

Because we don't necessarily think that is a good thing. Although there are some people advocating that we ought to have tuition and fees set at full cost.

The principal problems that we have with the concept is that we have not had the opportunity to get enough data together, simulate this using a computer, to see just what the effects would be, and it is sufficiently complex that we have not been able to reduce it to the kind of language that we think can be easily explained to the general public, and we suspect that the bill would have—the proposal would have to be easily explainable to the general public, to be acceptable.

Mrs. GREEN. Thank you very much, Dr. Lawrence. I am interested in the explanation, but I am going to have to read it 10 times to understand it myself.

Congressman Dellenback?

Mr. DELLENBACK. For the further followup in getting the specifics on this, Dr. Lawrence, you say two things, I gather. One, that you can expand on the documents already produced, and maybe simplify them, so that you get them to us, and I will join the chairman in rereading the final version and reading against the committee record, and the like.

But second, even that is just the skeletal framework of what you are talking about, and you are talking about a good deal of staff work being required to implement this and put specifics into the formula. Do I read you correctly?

Mr. LAWRENCE. Yes. I believe that if this were going to be seriously considered by Congress, that Congress would want to know a number of alternatives that it would have, because we do have many points at which we would suggest, you know, the poverty population level, the minority population level, which way would you prefer to do it through the States, direct to the institutions, a lot of these kinds of questions would have to be responded to, and some staff work should be put into developing the alternative, so that you could look at it and say, "Yes, I like this," "I don't like that," and so on.

One of the things, in my judgment, as an administrator is it allows me to pick and choose the kinds of directions I would like this concept to go in. And I would think that it would be very advantageous to Congress. Our problem is, getting this reduced to a place where each of the alternative decisions that are available and could be made are clearly understood.

It does not require, on the other hand, in terms of implementation it would not require a massive amount of monitoring, because the data is readily available; it is a simple formula calculation, which if people trusted us, could be done by computer.

So that each year you would crank this out and give the institutions the money and it is a relatively simple job, once you agree upon each of the alternatives. Arriving at the alternatives and agreeing on the exact shape of the formula is the difficult task. And it requires data.

Mr. Dellenback. From your preliminary look at it, do you feel that this could be not two steps, but three steps, soundly; namely, first, the drawing of legislation which set up certain principles, to the implementation, perhaps, by OE, or HEW, of the further carryout, to put it in a form so that it could be applied, through computers, and then third, the utilization of the computers, and the data which you have available to you, to lead to results?

You see, I have a fear that for us to try to write into legislation something which might very well be as complex as this might turn out to be—it becomes a very difficult and perhaps improbable type of legislation.

Mr. Lawrence. Well, let me suggest that I think those steps are involved. I don't think they are involved in that order. I would not like to see them involved in that order.

To my way of thinking, there is practically little that can be done to assist you in this session with this kind of a formula, and that is why I didn't include it in the testimony. I think that we ought to somehow find the means to do the analytical work first, and that is going to take us 6 to 9 months, if we do a real good job for you, and we ought to do that first.

Then, and as a result of that, then write legislation that describes the general characteristics, and then turn it over to OE for implementation.

As I have said before, I do not like to put my neck on the line with something like this, until I have data to back up what my convictions tell me are true. My convictions tell me this will work, but I haven't got the hard substance to indicate that this thing will behave exactly as I have described it to you, and I would like to be able to prove that it would behave the way I have described it, rather than just have the conviction that it would behave that way.

Mr. Dellenback. Against, then, this general framework, and what needs to be done now, we have referred to and you have in your testimony referred to several times the imperative of moving ahead now. Without waiting for a full final fruition to the concept of formula determination of need, would it be your feeling in general, because we go ahead with general institutional aid, which will not be reflective of need, that any such program we might establish in the way of general institutional aid should soundly be a 1-year program? Waiting for legislation again next year to work out either on the basis of what you might be able to supply to us, or a further study on our own, of what is a fair determination of need, rather than to move ahead in final form with a program which might be very difficult to change in the future?

Mr. Lawrence. Given things in my kind of world, yes. What the political problems might be of a 1-year bill, and then facing the uncertainties of another one, I do not know. But I would prefer a bill, a stopgap measure, so to speak, and maybe it isn't a stopgap measure; maybe it turns out to be the only way we can do it.

And so I am a little bit at a loss to know what to say. I am very determined to use my influence to see if we can't get things like this explored substantively and quickly. Because I think it ought to be done as soon as possible. And I think it ought to be done on a continuing basis, not only for this problem, but other problems that undoubtedly will arise, in our national planning efforts in the future.

Mr. Dellenback. Yes.

Mrs. Green. If my colleague will yield.

Mr. Dellenback. Yes, I will yield.

Mrs. Green. I would just say, I would frankly have no objection to a 1-year bill on institutional aid, if I could feel that both the Senate and House would move with some speed, so that by June 30 of 1972, we would really be ready to make some other proposal, or continue it.

The delay in both authorization and appropriation is what concerned me, but if we go to institutional aid, I for one have tried to make it abundantly clear that any proposals I make are on the basis of an emergency, and that the higher education community ought to consider it as emergency legislation. It is not something I am going to be wedded to for the rest of my life.

Mr. Lawrence. And I would urge you to consider some of the other recommendations I made in my testimony, then, because I think they are going to be crucial to getting the kind of information that we need to make intelligent decisions in the future, particularly those sections where I suggested aid to institutions and aid to each State.

Maybe on $5 per student, for institutions, and $1, with the proviso that they provide certain kinds of information to the Federal Government.

Mrs. Green. May I ask?

Mr. Dellenback. Of course.

Mrs. Green. If we give institutional aid, what about a provision that so much of this has to be taken for internal administration and management?

Mr. Lawrence. Well, that is fine, or I am not sure it is proportionate, in that direction. I was thinking—I suggested $5,000; $5 per student, or a minimum of $15,000 per institution for that purpose; $1 per student for the State agency, or a minimum of $50,000 for each State.

Now you could attach that on, just like you did in the Higher Education Facilities Act, where you appropriate annually, I think, $7.5 million for this kind of purpose. These two things would come out at about $74 million, $65 million with an institutional aid, and $8 or $9 million for the State aid, depending on exactly the population.

We just took rough estimates of the student population.

We would also feel that the funding for this would be an initial effort, and taper off in about 5 years to a maintenance effort. We currently believe that the Federal requirements for information are going to be such that a substantially reduced by sustaining effort of support for information is probably going to be a continuing requirement.

So, I don't want you to get any illusions that I think it will just come off.

Mr. DELLENBACK. I suspect, Dr. Lawrence, that against your background of dealing with States and the Federal Government, you are as aware as are the members of the subcommittee of the conflicting drives we feel, on this question of building a marble palace versus taking care of a crisis situation; and the greater fear that is implicit in what the chairman just said is not only are we afraid of the construction of a marble palace, but that the Congress moves oftentimes so very slowly that even if we said this is only a crisis situation which will last a year, it would be very difficult to get the Congress to move again, in proper form, before that year be out. And so we are torn.

We don't want to build something that is permanent on a foundation, or that takes a form that is not a good permanent form. And we are torn both ways.

Mr. LAWRENCE. And that bothers me, too, you know. You asked me if I thought it should be 1 year, and I say, "Yes, but," "Yes. if."

Mr. DELLENBACK. May I just ask one more question, Madam Chairman, on this? And turning back to your testimony and away from that which we have been dwelling on most recently, when you talk in terms of institutions, being a need and not requiring the equal assistance, you also talked in terms of not every student requiring financial assistance and those who did require help not needing a uniform degree of assistance.

So you are suggesting that anything we do in the area of direct student aid be allocated on the basis of differing degrees of need, I assume.

Mr. LAWRENCE. Yes.

Mr. DELLENBACK. So that we shouldn't just say, every student who is going to attend such an institution will get the same number of dollars.

Mr. LAWRENCE. That is right. And Congress has, I think, currently operating, and up for modification, at least four different types of aid. Maybe it is five. OEG, student loans, work study, and national defense loans. And these tend to come in certain compartments, for certain kinds of people. And that's good.

If there was adequate support for those bills, those pieces of legislation to meet all of the need, we wouldn't have all this pulling and hauling. The problem that Congress faces right now is one of not being able to meet all of that need, and how to distribute. Do you give it to OEG grants? Do you make it available to loans for the middle-class students? Where do you put it?

And whenever you have a situation where the need can't be met entirely, you have to make some difficult decisions as to who is going to get what share of what.

As I heard you discussing this problem this morning, it seems to me that in addition to having each of these kinds of aid aimed at different kinds of people, you need to also have additional kinds of boxes in which you place people, for the purposes or pots of money, for example, in the OEG area, or in the student grant area, or student loan area, all of those kinds, you need a pot of money for the economically less well off student, and you need a pot of money for students that are in the middle classes or middle-income range, and maybe you need a pot of money for somebody in between that.

It is possible, statistically, to allocate the moneys that you have on a continuum, a descending order, such as you described this morning, but that is again very difficult to explain. I suggested to Mr. Hogan that you could have two or three pots of money, and in that way, such as you did in the Facilities Act with community colleges and 4-year institutions.

So that there were EOG moneys available to a large number of students, that did not have a very high income level, and there was a pot of money also available that would be distributed in smaller chunks, for people in the middle-income brackets, who for varying circumstances also needed some help, in order to get into an institution, such as the example that you gave: One student in the lower level needs $1,000, and consequently, four students in the upper level are denied.

Well, given sufficiently large chunks of money, it doesn't have to be one gets and four are denied. It could be something like one gets and two are denied, or one gets and three are denied. You can proportionately distribute this.

If you will block off the money in this fashion similar to that which you did under the facilities commission, when you gave 25 percent, I believe, to community colleges, and 75 percent to 4-year institutions.

That way, you have the low-income level student competing on a meritocracy basis. That is, the most capable low-income student gets a crack at the dollar available and if any low income student is turned away, it is because he was not as capable as other low-income students, and you can have a pot of money for the middle income students.

Mrs. GREEN. Can I interrupt? Would you yield?

Mr. DELLENBACK. Yes.

Mrs. GREEN. Could I interrupt you for the record. You have put your finger on exactly one of the great lines with which I disagree the most heartily. Ability and merit were not to be considered in giving the EOG. Need was to be the criteria, and the example I used this morning, of the four students that needed $250 each, each one of them had greater ability than the one which was to receive the $1,000.

But he had greater economic need. And the institution had no flexibility in saying these four students show greater promise, greater achievement, and we think it is desirable for them to continue their higher education. The institutions didn't have that flexibility. They said, "We are sorry; that's too bad; and we will give it to the person who has the greatest need, regardless."

Mr. LAWRENCE. Of his ability.

Mrs. GREEN. "Of his ability or achievement."

Mr. Lawrence. I think that we know enough about the statistics of our student populations that there is some correlation between low-income ability and capability to enter an institution.

This doesn't have anything to do with natural ability. It is just the environment and a lot of other things that are taken into consideration. And that we get ourselves into disputes over discrimination, and all of these other hassles, when we put a low-income student against a middle-income student or four middle-income students, in the grab for dollars to get into a higher education institution.

And so what I will suggest is that each of your programs be divided up according to some sort of guideline that says, not all poor students are going to get into institutions of higher education. But here is a pot of money to help them get in, and they will compete with each other on academic ability, to get in.

Not all middle-income students are going to be given assistance to get into institutions, but here is a pot of money to help some of them, and they will compete with each other. And you will not have the cross-hatch of the poor-income student competing with the middle-income student.

You would also want to build in flexibility in the event that there were not enough applications in one category or another to be able to move the fund over to the place where more applications were submitted.

Mrs. Green. Do you think that a degree of direction has to be given by the Federal Government? Do you think the individual institutions aren't capable of making those policy decisions? I am leaving out proprietary institutions.

Mr. Lawrence. I believe the statistics that were supported this morning about student financial aid officers. I have had workings with student financial aid officers. Some of them are excellent. There is control by the institution, and there are policies set down. And while I was in Oregon, one of my responsibilities was in this area. But it is difficult to manage that process without some sort of guideline.

I believe within the description of what I have described, plus some of the guidelines that I think that you have suggested, and getting rid of some of the guidelines that they now have, would at the same time accomplish what you want, in terms of getting assistance equitably distributed among those as far as it can go, and at the same time, free up the institution to make decisions.

Mrs. Green. You want the Congress or the Office of Education to issue guidelines and stipulations on how institutional aid is to be spent by the individual institutions?

Mr. Lawrence. No.

Mr. Dellenback. Not at all.

Mr. Lawrence. I would rather say, "Here are so many dollars that you can have for this kind of person; here are so many dollars that you can have for this kind of person," and the Commissioner has some discretion to move it when certain kinds of——

Mrs. Green. I mean on institutional aid.

Mr. Lawrence. I am sorry. Institutional aid.

Mrs. Green. You want guideline stipulation, directions on how an institution is to spend institutional aid.

Mr. **Lawrence.** I understand you to answer on general assistance, and my answer would be "No."

Mrs. **Green.** Then let me follow up.

If in institutional aid, we are going to allow autonomy and academic freedom, and we are going to say that the institution has the good judgment and the sense to use those institutional funds in the way that they want to, why is it so impossible for an institution to set down the policy for giving out student financial assistance and then directing the student financial aid officer to carry out that policy. Granted, there is a frequent changeover in student financial aid officers—but there is also a frequent changeover in college presidents.

The policy on student financial aid seems to me infinitely easier to arrive at than how you are going to spend institutional aid, when there are faculty members in each and every department crying that they need funds the most.

Mr. **Lawrence.** Let me suggest that now that you have asked that question, my understanding of the previous question has been corrected. And I gave you the answer to the wrong question, previously.

If student financial aid were given to institutions, in blocks, similar to that which we did with community colleges and four-year institutions on capital construction.

Mrs. **Green.** With pots, if I may add.

Mr. **Lawrence.** With the broad guidelines, then I would say institutions ought to be allowed to distribute the money within those broad guidelines without any further guidelines, and that I believe the Federal Government's restrictions on student financial assistance are that restraining.

With regard to assistance to institutions of higher education, if you go this kind of a route in the long run, then I think that the general assistance ought to be given to the institutions without restriction, because I think these kinds of restrictions that would be built into the formula would be enough.

Restrictions require that we monitor. Restrictions tend to increase the bureaucracies of OE. These are not in my mind efficient use of funds, because they are doing things that are not necessarily productive. They are audit functions, and we ought to reduce the number of audit functions wherever possible.

I do believe that if we go with a bill such as you have recommended, that the requirement there that calls for a statement of objectives, I believe this would be useful. I think it is going to be very difficult for the Commissioner to administer, in that someone is going to have to say, "Are their objectives appropriate?"

And I don't know what the outcomes are going to be. I get a little bit nervous about that, but I would like to have something that requires the institution to think about what it is doing with the money.

Mrs. **Green.** Do you have any more questions?

Mr. **Daniels.** No.

Mrs. **Green.** Thank you very much, Dr. Lawrence, and we will be in further touch with you in regard to this program. Let me ask one final question. Do you yet have an answer from Commissioner Marland to the letter which you directed?

Mr. **Lawrence.** No.

Mrs. **Green.** Don't be discouraged. I sometimes wait for a month in HEW for responses to my letters.

Mr. **Lawrence.** I am not discouraged about the speed of response.

Mrs. **Green.** But I would ask unanimous consent that when and if an answer is ever received, and if one copy is made available to me, that it be made a part of the record immediately following the point where Dr. Lawrence's letter to Dr. Marland was inserted.

Mr. **Dellenback.** No objection whatsoever. I would be interested, just let me say, as one individual, in also getting a copy of the letter to which you refer.

Mrs. **Green.** Didn't you get one?

Mr. **Dellenback.** I don't believe I have a copy of the basic letter, but I would like that. And we may count on receiving the further followup letter to which you alluded.

Mrs. **Green.** I don't know whether we can count on it or not.

Mr. **Dellenback.** To Dr. Lawrence where he will be setting forth a simplification and further explication.

Mrs. **Green.** The letter from Dr. Lawrence, knowing him, I am assured we will get that one. The meeting is adjourned.

(The letter referred to appears at the end of Dr. Lawrence's letter to Dr. Marland on p. 900.)

(Whereupon, at 4:34 p.m., the subcommittee was adjourned subject to call of the Chair.)

HIGHER EDUCATION AMENDMENTS OF 1971

FRIDAY, JULY 23, 1971

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to notice, in room 2175, Rayburn House Office Building, Hon. Edith M. Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Brademas, Quie, Scheuer, Hawkins, Mink, Daniels.

Staff present: Harry Hogan, subcommittee counsel.

Mrs. GREEN. The subcommittee will come to order.

This morning, the subcommittee is meeting to hear a very distinguished panel of lawyers on the recent Supreme Court decisions that may or may not have an impact on legislation that is now before this subcommittee, and legislation also before the full committee.

I would ask unanimous consent, first of all, that the 5-minute rule be dispensed with. Is there any objection? If not, we will dispense with that.

I have also invited the members of the full committee to meet with us this morning. I would ask unanimous consent that they also be recognized after the members of the subcommittee are recognized for questions that they may have on matters of law. Without any objection, that is so ordered.

The panel this morning consists, of first, Mr. Thomas Kauper, Deputy Assistant Attorney General, Office of Legal Counsel, a former professor at the University of Michigan Law School and former law clerk with Justice Potter Stewart. He took his law degree at the University of Michigan Law School where he was editor-in-chief of the law review.

Second, is Mr. St. John Barrett, Deputy General Counsel, Department of HEW, and third, Mr. Charles H. Wilson of the law firm of Williams, Connally & Califano, formerly chief law clerk to Chief Justice Warren.

We really appreciate your willingness to come today and to give us your expert advice and counsel. I am sure that the three of you will be in unanimous agreement because you are experts in this field. [Laughter.]

Your comments will be of great assistance to us as we try to resolve differences we might have on the committee. If the three of you would come to the table together, along with anyone else you want to accompany you, I am going to ask Mr. Kauper to lead off and then the other two gentlemen may make any statements they wish, and we will turn to questions and answers if that is agreeable.

Mr. Kauper?

STATEMENT OF THOMAS KAUPER, DEPUTY ASSISTANT ATTORNEY GENERAL, OFFICE OF LEGAL COUNSEL

Mr. KAUPER. Madam Chairman, I have been asked to give a brief summary discussion of these cases of the last month and to put them in the context of the two or three previous cases before we turn to specifics of any sort. Let me begin, before I talk about specific cases, with a couple of general observations which run through virtually all of these cases. When one thinks of the establishment of religion issue, which of course is what we are talking about today, the proverbial notion of the wall of separation comes to mind.

I think as the discussion of cases which will follow will indicate, this wall is clearly not an absolute one. Indeed, in the Rhode Island and Pennsylvania parochial school cases decided on June 28, Chief Justice Burger was quite explicit on this point, recognizing, and I am quoting:

> Some relationship between Government and religious organizations is inevitable. Judicial caveats against entanglement must recognize that the line of separation, far from being a wall, is a blurred, indistinct and variable barrier, depending on all of the circumstances of a particular relationship.

Implicit in this, of course, is recognition by the Court that these are extremely difficult issues, not admitting of easy yes or no answers. The Chief Justice was remarkably candid about this when he stated:

> Candor compels the acknowledgement that we can only dimly perceive the boundaries of permissible Government activity in this sensitive area of constitutional adjudication.

I think probably the three of us are agreed that we are not sure we perceive these issues with any more perception than the Chief Justice did. Simplistic responses, of course, have to be avoided, but the fact does remain that the Court has furnished a number of guidelines with which the establishment issue must be approached and I will turn to those in a moment.

Before doing so, however, I think it is important to observe that some forms of Government activity which are of aid to church-related institutions have been upheld by the Court. The fact that such an institution is incidentally benefited by a governmental scheme of aid is not dispositive of the first amendment issue. However, if the Justices have reached agreement on any single aspect of the establishment controversy, I suppose it would be that aid may not directly support religious instruction or activity. What I mean by this is that church-related institutions might be said to have two missions—one secular, and one sectarian.

The Justices seem to agree that governmental aid may in no instance support the sectarian purposes of the institution. Where the Justices disagree is on the question whether sectarian and secular purposes may be separated. Four of the Justices, Justices Doublas, Brannan, Marshall, and Black, seem to take the position that the risk of sectarian activities intruding into the secular side of a church-related institution dictates that no governmental aid be furnished directly to that institution. On the other hand, the remaining five members of the Court are willing to assume that the sectarian can, in some cases, be separated from the secular and that if the aid can be confined to the secular realm with a minimum of governmental oversight, then such aid is permissible.

With this background, let me turn to a brief discussion of the four or five cases which I think are of direct relevance to the problems before this committee. The first of these, certainly in modern times, is the case of *Everson* against the *Board of Education*, 330 U.S. 1, decided in 1947, in which a five-man majority ruled that a State could reimburse parents for the expense of public transportation incurred in transporting their children to parochial schools. Under the State law, reimbursement was also made to the parents of students attending public school.

In upholding this statute against an "establishment" attack, the Court stressed that this aid was not being made directly to the parochial schools, but was instead a benefit conferred upon the parents of those students attending. I now quote from that opinion:

> The State contributes no money to the schools. It does not support them. Legislation, as applied, does no more than provide a general program to help parents get their children, regardless of their religion, safely and expeditiously to and from accredited schools.

Everson was decided in 1947, and not until 1968 did the Court pass upon another case involving the furnishing of aid to parochial schools. In *Allen* against the *Board of Education*, 392 U.S. 236, the Court upheld a New York law which required public school authorities to lend textbooks free of charge to students attending private schools. This, of course, included parochial schools. In so holding, the Court noted that as in *Everson* the benefits of the program were to the parents and children, not to the parochial schools themselves. Moreover, the Court pointed out that the books to be loaned would be secular in nature and that there was no reason to question the fact that the school authorities would, in fact, lend only secular textbooks. Thus, *Everson* and *Allen* teach that certain forms of aid may be made available, as part of a general program, to students and their parents rather than the schools themselves.

In the recent *Tilton case*—that is the case of June 28 involving the construction of academic facilities on our college campuses—the Chief Justice summarized the Court's prior holdings in these terms:

> Our cases from *Everson* to *Allen* have permitted church-related schools to receive Government aid in the form of secular, neutral or nonideological services, facilities or materials that are supplied to all students regardless of the affiliation of the school which they attend.

Clearly these cases don't, in and of themselves, provide direct precedent on the question of the extent to which direct financial aid may be provided to a church-related school or college.

The test applied in the *Allen* case was one which had been announced earlier in one of the school prayer decisions and it was essentially two-pronged in nature. In order for a statute to pass muster under the establishment clause, inquiry had to be made as to:

> The purpose and the primary effect of the enactment. If either is the advancement or inhibition of religion, then the enactment exceeds the scope of legislative power as circumscribed by the Constitution.

The next case, I believe, to be considered, although not directly a case involving aid to parochial schools as such, is *Walzs* against the *Tax Commission*, 397 U.S. 664. This was the case in which the Supreme Court held that the granting of tax exemptions to religious institutions as part of a broader program of exempting other forms of nonprofit organizations did not violate the establishment clause of the first amendment. In *Walzs*, the Court sustained the allowance of property tax exemptions by a vote of seven to one, relying heavily on the long and undeviating history of permitting such exemptions. The Court added, in the view of many commentators at least, a third element to be considered in determining whether legislation constitutes an establishment of religion. For the first time a majority of the Court indicated that grants of financial support, or in that case tax exemptions, must not only have a secular purpose and primary effect, but must also be subject to administration in such a way that "excessive entanglement" between the Government and the recipient institution is avoided. The Court stated the entanglement issue in these terms:

> The questions are whether the involvement is excessive, and whether it is a continuing one calling for official and continuing surveillance leading to an impermissible degree of entanglement.

In the cases decided on June 28, the Court clearly confirmed the view that the basic tests under the first amendment are now threefold. The Chief Justice summarized the Court's approach to establishment as follows:

> Every analysis in this area must begin with consideration of accumulative criteria developed by the Court over many years. Three such tests may be gleaned from our cases. First, the statute must have a secular legislative purpose; second, its principal or primary effect must be one that neither advances nor inhibits religion; finally, the statute must not foster an "excessive Government entanglement with religion."

In applying these tests, I think it should be emphasized that the Court has yet to find that one of these statutes before it in litigation had, in fact, an impermissible purpose. If an argument can be made that the legislative purpose is secular in that it is designed to foster improved educational services generally, the purpose test has been regarded as being satisfied. Indeed, in the Rhode Island and Pennsylvania cases, in which aid was struck down, the Court was careful to point out that it found the purpose of the statutes entirely proper and in *Tilton*, the case involving the construction of facilities on church college campuses, the purpose of the grant was found to be secular and therefore permissible.

The difficulties under the Court's doctrine arise under the effect and entanglement criteria. These, I would imagine, are the problems we will be talking about more specifically today. The Court's recent decisions, however, throw some light on the current approach being employed by the Court on these issues.

In *Lemmon* against *Kurtzman*, and *Earley* against *DiCenso*, decided on June 28 of this year, the Court struck down by a vote of seven to one in the case of the Pennsylvania statute, eight to one in the case of the Rhode Island statute, statutes which would have made State funds available for the payment of the salaries of teachers at parochial schools. Both statutes were careful to limit the courses that could be taught by recipient teachers, limiting them to courses which certainly, in terms of course designation, we would agree were in the secular realm. Both enjoined the teachers against introducing religious doctrine into their instruction. Both contained a number of restrictions to assure that these restrictions would be complied with, namely, that there were devices available to determine that religious instruction was not being given by the teachers whose salaries were paid pursuant to the State acts. Clearly it was the intention of the Pennsylvania and Rhode Island Legislatures to confine the subsidies to the furtherance of secular instruction. In invalidating the teacher subsidies, the Court did not quarrel with the purpose of the legislation, nor did the Court find that the legislation had the effect of advancing religion.

On this issue, the Court was careful to point out that it was not passing judgment either way; what the Court did hold was that because of the pervasive religious atmosphere in parochial schools and because teachers are by their very nature human and therefore ideological, the surveillance necessary to assure that the State aid was being employed only in furtherance of secular instruction would be so extensive as to constitute "an excessive entanglement."

In so holding, Chief Justice Burger, speaking for a seven-man majority, furnished guidelines as to the approach to be followed in determining whether a particular entanglement was excessive. I now quote:

> In order to determine whether the government entanglement with religion is excessive, we must examine the character and purpose of the institutions which are benefited, the nature of the aid the State provides, and the resulting relationship between the government and the religious authority.

Now, those are the three criteria that we will be talking about further today: the nature of the institution receiving the aid, the nature of the aid itself, and the resulting relationship.

Focusing on these criteria, the Court stressed the religious atmosphere of parochial elementary and secondary schools, the differences between teachers on the one hand and textbooks and school buses on the other, and the fact that there would be an annual debate over the appropriation of such funds for teacher subsidies such that political fragmentation along religious lines would be fostered.

Those who have read the opinion recall that there is a separate section of the opinion dealing with the question of political divisiveness brought about by annual debates over questions of aid of this sort. We must keep in mind, however, that in striking down the Rhode Island and Pennsylvania statutes the Court acted solely on entanglement grounds. With this in mind, let me turn now to the decision in *Tilton* against *Richardson*, which upheld by a vote of five to four the Federal statute which authorizes construction grants to both public and nonpublic institutions of higher education. In defining the nature of the facilities which might be constructed with such funds, that act expressly excludes "any facility used or to be used for sectarian instruction or as a place for religious worship or any facility which is used or to be used primarily in connection with any part of the program of a school or department of divinity."

The obvious question, of course, is what accounts for the eight to one decision against the State salary subsidies to parochial schools and a five to four decision in favor of the Federal construction grant scheme? In numerical terms, the answer is that four Justices shifted. They were the Chief Justice, and Justices Harlan, Stewart, and Blackmun. The reason they shifted is apparently that they view the entanglement issue as a fluid one, to be judged in view of the particular circumstances of each case.

Employing the approach which the Chief Justice had suggested in the Rhode Island and Pennsylvania decisions, they focused on the nature and purposes of the institutions being benefitted, the nature of the aid being provided, and the resulting relationship between the State and the religious institution. On each of these points the Justices found that less surveillance would be necessary to assure that the Federal funds being awarded would not in fact be used to further sectarian activity.

Initially, the Court laid heavy emphasis upon what it saw—when I say the Court, I should add we have a plurality opinion of four Justices, the fifth being a separate opinion by Mr. Justice White on a considerably different ground. According to the plurality opinion, at least, there is a very marked difference between colleges and elementary and secondary schools. The Court clearly took the position that the former, colleges, are much less likely to involve pervasive patterns of indoctrination of religion. Since most church-related colleges, in the view of the Court, are not marked by the same degree of physical reference to religion and because college students are less impressionable, the Court pointed out that less surveillance by the State is necessary. It also, I might add, be pointed out that the specific colleges before it were of such a nature that the Court was able to determine that they weren't engaged primarily in the religious mission. They emphasized that the admission to the college was not limited to persons of that religious faith and the hiring of teachers was not so limited.

The Court made specific reference to the fact that each college adhered to the 1940 statement of the Association of University Professors on academic freedom. Putting these together, it concluded that these colleges were in a significantly different status than the parochial schools that were before the Court in the Pennsylvania and Rhode Island cases.

In addition, a distinction was drawn between teachers and buildings. Let me now quote because I think this will come up later in the discussion today. Chief Justice Burger stated as follows:

> Since teachers are not necessarily religiously neutral, greater governmental surveillance would be required to guarantee that State salary aid would not, in fact, subsidize religious instruction.

Referring then to the earlier parochial school cases, he states:

> There we found the resulting entanglement excessive. Here on the other hand—

we are now speaking of the college case—

> the Government provides facilities that are themselves religiously neutral. The risk of government aid to religion and the corresponding need for surveillance are therefore reduced.

Finally, the Chief Justice points out that in connection with construction grants, the Federal involvement with the recipient institutions is a one-time affair, whereas with respect to subsidies of teachers' salaries, the grants would be made on an annual basis and thus would involve a continuing relationship between the Government and the recipient institution.

After suggesting these three distinctions, namely a distinction based on the nature of the school, a distinction based on the nature of the aid, and therefore presumably a distinction on the degree of entanglement with reference to the fact that this was a one-time transaction, the Court indicated that it was not relying on any one of these distinctions to the exclusion of the others. This is part of what causes our dilemma today since the Court was very careful to point out that it was the combination of these three factors, and not any single one, which was determinative in concluding that the Federal program, at least as applied in that case, was valid.

So, we will be talking today about trying to balance three factors without knowing precisely which one it is, if any, that the Court is most likely to come down the hardest on. In view of this, you can see it is quite difficult to predict with any degree of certainty how the Court will come out in a particular case on the entanglement question. The nature of the institutions themselves in particular cases before the courts may well vary. There may, in other words, be church colleges that do not meet the description which the Court set forth in the *Tilton* case. The nature of the aid may vary, and hence the degree of surveillance may increase to the point, arguably at least, where it gives us a situation once again of an excessive entanglement.

I think that in characterizing what the Court held in *Tilton* about all one can say is that the Court upheld the Federal statute on its face and also as applied to the four particular grants in question in that case. On the other hand, the Pennsylvania and Rhode Island statutes seem to have been struck down for all purposes, since the court was apparently willing to find that the only institutions which might benefit under the statute are schools so pervaded by religion that the necessary surveillance would always involve excessive entanglement.

In *Tilton* the Court also threw additional light on the meaning of the effect test. A provision in the Federal statute stated that after 20 years the facility which had been constructed with the Federal funds would lose its Federal interest and the assurance that it not be used for religious activity or instruction terminated at that point, at least as the Court read the statute. The Court recognized that a possibility existed that the facility would be converted to religious purposes at the end of that 20-year period, and if that were to occur, the original Federal funds would in part have the effect of advancing religion. For this reason, the 20-year limitation, but not the entire statute, was held unconstitutional. The effect, in the Court's judgment, was to extend the exclusion restricting the use of facilities constructed with Federal aid into a permanent bar. Only by removing the 20-year provision could the Court be satisfied that an attempt would be made to retain the facilities for secular functions.

This aspect of the Court's decision has not received a great deal of attention, but I think it is highly significant. What the Court quite clearly seems to have been saying is that the mere possibility that the funds may be employed to directly advance sectarian purposes is indicative of unconstitutionality. Thus, it seems to me that the Court's holding on the 20-year provision calls for the conclusion that grants of unrestricted financial aid to church-related institutions of higher education must probably be viewed as unconstitutional, because once again the possibility exists that the aid will be employed for sectarian purposes. This then, Madam Chairman, seems to me to be where the Court stands at the moment.

I am not sure that in discussing the particular questions which I am sure you are going to ask as we go along we can add a great deal of light, but all of us are here at least to make the attempt. If either Mr. Wilson or Mr. Barrett has any statement to make, let them go ahead.

Mrs. GREEN. Mr. Wilson?

STATEMENT OF CHARLES H. WILSON, JR., OF THE LAW FIRM OF WILLIAMS, CONNALY & CALIFANO

Mr. WILSON. Madam Chairman, I think it is important to talk briefly about what Justice White said in his separate opinion. Only thre Justices joined Chief Justice Burger in his plurality opinion in *Tilton* and Justice White cast the decisive vote in that case. Justice White was the author of the decision in the *Board of Education* versus *Allen* which upheld the New York textbook law.

In that opinion he had concluded that legislatures and prior court decisions had recognized that parochial schools performed two functions—secular education and religious instruction. His opinion seemed to suggest that if the Government restricted its aid to the secular functions performed by church-related schools the aid would be valid.

Indeed, that was the basis for the District Court decision in the *Tilton* case, and it was the principal argument made in the briefs submitted to the Supreme Court by the church-related schools in the three school aid cases.

Justice White adhered to that position in his concurring opinion in *Tilton*. He said, and I quote:

> It is enough for me that States are financing a separable secular function of overriding importance in order to sustain the legislation here challenged.

That is about all Justice White said about the doctrine he would apply. He went on to make some incisive criticisms of Chief Justice Burger's opinions in the *Tilton* case and the *Lemon* case. Perhaps the most significant part of his opinion is the final footnote, which he describes as a postscript. It has important implications for future aid programs, and I believe it is worth quoting in full. Justice White said:

> As a postscript, I should note that the Court decides both the Federal and State cases on specified Establishment clause considerations without reaching the questions that would be presented if the evidence in any of these cases showed that any of the involved schools restricted entry on racial or religious grounds, or required all students gaining admission to receive instruction in the tenets of a particular faith. For myself, if such proof were made, the legislation to that extent would be unconstitutional.

This postscript is critical because in the next case Justice White may well again cast the deciding vote and, if the legislation is drawn in a manner that permits schools engaging in the practices that he describes to receive aid, he might well cast the decisive vote against a statute's constitutionality.

I might add just one other comment of a personal nature to inform the committee of my orientation. I was an attorney for the church-related schools in both the *Tilton* and the *DiCenso* cases. My activities in this area for the past 3 years have been as an advocate. I may well take a far more optimistic view of the future of church-related education than my colleagues, and I would like the committee to understand that as we go forward.

Mrs. Green. Thank you very much. Mr. Barrett?

Mr. Barrett. I have no wish to add to the two statements made.

Mrs. Green. All right. Then I yield to the legal counsel of the subcommittee, Mr. Hogan, for questions he may direct to you.

Mr. Hogan. Gentlemen, as I understand your presentation, the three tests that the courts developed were: first, secular legislative purpose; second, primary effect; third, excessive entanglement. As I gather from Mr. Kauper's presentation, there is probably not too much trouble with the presentation of a secular legislative purpose. The real problems will probably come up in regard to the second two tests.

With regard to primary effect, the Chief Justice in the *Tilton* case really, it seemed to me, found as almost a matter of common knowledge that the use of the federally aided buildings on these four campuses was indistinguishable from the use similar buildings would be put to on a typical State university campus. If we were to pursue that kind of approach, perhaps then this committee might examine the use to which the aid money might be put and make a finding that such use would be similar to that which a state university would put the money. Congress might then perhaps support its restrictions in terms of such a finding.

Now, as I understand it, a great deal of the possible use of teaching done in any campus, private or public, is essentially secular and essentially similar. I take it that we have to do more than state that the purpose of the use would be "secular." Would it help to support such a statement with a finding of secularity?

Mr. Kauper. I think you have to keep in mind that in upholding the Federal statute in *Tilton*, the Court really had no restriction stated in the statute other than a prohibition which, in essence, stated that the funds shouldn't be used to construct a facility for a theological school or for religious instruction or sectarian activity. Now, what that seems to indicate is that, in the setting of the colleges at least, the restriction was viewed by the Court as being sufficient on its face to assure that the building was not being used for sectarian purposes. I take it what you are talking about may be forms of aid other than to build a building. The question there I suppose can be put this way: Whether or not the presence of a similar restriction, namely that the funds shall not be used for sectarian purposes or religious instruction, would be enough to say that the statute itself contains what is necessary to make it consistent with the first amendment. I don't think any one really can be very sure of the answer to that, because of the way the Court balanced the three separate factors.

Certainly an argument could be made that the presence of that sort of restriction in a general aid provision might be sufficient if it is possible to police the restriction with a minimum of "entanglement." On the other hand, it is possible to read the opinion as resting also on the fact that this aid was, in essence, for a thing.

It was for a building, and the building itself was nonideological. Given the Chief Justice's drawing of the distinction in the college case between teachers and buildings, I don't think anyone can be absolutely certain that general aid, which of course would be capable of being used for teacher's salaries among other things, would pass muster without some further restriction. I don't think that one can give a very firm answer to that. I think that is, in essence, what your question was.

Mr. HOGAN. One of the things that seemed to be important to the Chief Justice, and you referred to it, was that all four institutions subscribed to the 1940 statement of the principles on academic freedom and tenure, I suppose what interested the court there was the possibility of reducing the surveillance necessary by having it done almost automatically in the normal course of business by established institutions through patterns of conduct within higher education itself.

Mr. KAUPER. That may have been part of what the Court was talking about. I have a somewhat different impression of what that reference to the statement may have meant. That is the basic statement on academic freedom with respect to teaching personnel, and I have the impression the Court was using it, in part, to indicate that at least at these colleges the discipline which might otherwise be imposed to adhere to a pattern of religious indoctrination by the teaching personnel—that is that the administration of the school would impose religious requirements upon them, the method of teaching, and the content of courses—would not be present.

It seems to me there is an inference from their use of that statement to suggest that the kind of religious discipline which the Court emphasized in the parochial school cases was not present here. I am not sure that it is as much a matter of saying there is some outside body that will supervise this, a nongovernmental body, in essence, as it is the notion of just a general freedom for the teacher to teach in a secular manner.

Mr. QUIE. Are you saying that whereas the money that is used for facilities in the higher education case might not have been constitutional if it had been made available for the parochial elementary and secondary schools because of the tendency to indoctrinate students at that time and also that the assistance for salaries for the secular subjects in the parochial secondary and elementary schools may not have been unconstitutional at the higher education level if it had been there, because they wouldn't have found it necessary to scrutinize them so closely and therefore get into the entanglement problem? Is that what you are saying?

Mr. KAUPER. I think both are possibilities. I think it is conceivable, though rather unlikely, that the Court could take the kind of aid which you had in the college case, the provision of a building, and hold it valid as to a parochial school. I think that is rather unlikely, given the nature of the court's description of parochial schools as such.

On the other question, which goes to the nature of the aid, it seems to me that the Court really has not disposed of the issue as to what the result would be if the aid was in a form other than the form of a construction grant which was present in that case, for several reasons. First of all, I think we can start, if we assume the same case came up to the Court with the same colleges so that we had the same set of findings with respect to the colleges, with the premise that there are still two variables with respect to the three factors which the Court relied on in the *Tilton* case. The first variable is the nature of the aid itself. In *Tilton* you have the Chief Justice talking about the nonideological character of a building and the ideological character of a teacher. Admittedly, he did that in distinguishing the parochial school cases, but he did do it in the college case, which suggests that there might be a distinction drawn if the aid was going to be used for teachers' salaries. Second, you may recall he also drew a distinction between the fact that the aid to colleges in the *Tilton* case was a onetime proposition. A judgment was made to give a grant, a construction grant, and, in his view, the continuing surveillance was minimal. On the other hand, I would assume that if you were supplementing teachers' salaries or something of this sort, you would be talking about a continuing kind of relationship between the college and Government.

Now, I don't think any of us can really very authoritatively say how much weight those two distinctions would be given, particularly if you start with the assumption that the first factor is the same, namely the Court's judgment that these are schools where the sectarian can be isolated and that it is not an all-pervasive religious mission and so on. I think that is obviously the dilemma. I do think one has to recognize that other forms of aid, particularly direct cash aid, do present at least a somewhat different question than what the Court was confronted with in *Tilton*.

Mr. QUIE. Let me follow up with one other question. When the Chief Justice mentioned secular neutral nonideological facilities, materials, and equipment, he undoubtedly could be talking about all of those as one-shot aid, but when he mentioned services as well, it seems to me conceivably he could find acceptability in providing services which would not be one shot.

Mr. KAUPER. Yes, I think that is true. I think also if one looks at this at least as I would view it, you have the Court saying in the *Tilton* case that the 20-year limitation on the restriction with respect to the use of the facility must be extended. Well now, it seems fairly clear to me that that contemplates some continuing role of the Government in determining that that condition is met, whether you call it a one-shot grant or whether you call it something else.

I am not altogether certain that in future cases the one-shot type of distinction will continue to carry a great deal of weight. It is conceivable it will. Certainly it is in the opinion. But I am not sure it really tells us very much because I think with the Court's recognition that we are going to continue to have policing of this restriction in any event, it is a little hard to see precisely what the distinction really is.

Mr. **Brademas**. Would you yield? Following up Mr. Quie's question, you made an allusion to one of the three tests, namely whether it is a one time, single purpose construction grant, and the word "purpose" seems to me also to be an ambiguous one in the way in which the Chief Justice used it. For example, suppose you had a foreign language studies program and suppose the Federal aid were used to pay teachers' salaries, audiovisual equipment, and to build a building. Now, in that particular instance, is the purpose single, teaching a foreign language or is the purpose of assistance multiple, for salaries, equipment, and a facility?

In the second case, therefore, in his view, it would not be permitted. Have I made my question clear, Mr. Kauper?

Mr. **Kauper**. Well, I think when the Court talks in terms of the test geared to purpose, it is not so much a question of what kind of aid you are giving as it is the legislature's purpose in giving it: that is, was the purpose to aid religion or was the legislature's purpose to aid secular education?

Now, it is not surprising that in every one of these aid cases the Court really has found no problem in finding that there was a secular purpose. I think the kind of question which the Court is more likely to address is the actual effect. It is quite clear that the mere factor of secular purpose isn't enough. The Court will look to see what the effect really is.

Mr. **Brademas**. That is not really my question, I think. My question didn't go to the question of secular or sectarian purpose. Mine was a totally different question. If you look at the language, "one-time single purpose construction grant," you answered my question in terms of whether purpose means sectarian or secular. Let's put that to one side. Let's try to define the word "purpose." Single purpose construction grant. It doesn't have a comma after purpose. So, if you can define purpose in two senses, in the case I just suggested, where the purpose could be defined in terms of the subject to be taught, let us say, with the assistance, or purpose could be defined as the equipment, the facility, the salaries—that is to say, the media of teaching. Now when he uses single purpose construction grant, one is not clear.

Mr. **Kauper**. I agree with you. I am not sure I am clear either. But I would suspect that what he means to refer to here is that the grant in question had no purpose other than construction.

Mr. **Brademas**. All right. You have answered my question. He is not talking about the subject matter in the example I gave.

Mr. **Kauper**. I don't believe he is at that particular point, no. I think he is talking about the purpose of construction as such. This is a part of his distinction, the one-time nature of the grant. I think that probably is a cautious statement of it. He wanted to make clear that what was involved here was construction.

Mr. **Brademas**. Because this directly ties—this is the last comment I will make—into a fundamental question. If, as you were suggesting, it would not be constitutionally appropriate to provide Federal assistance for general purpose expenditures, would it then be possibly appropriate to provide Federal assistance for categorical purposes, but when you say categorical purposes, are you talking about purposes defined as equipment, salaries, facilities, or are you talking about purposes defined as areas and language studies, science, engineering?

Mr. KAUPER. Yes, I think within this portion of what he is saying, he is talking about the kind of thing which is going to be done with the money in terms of something physical, whether it is construction or the act of teaching, as opposed to what is being taught.

Mr. BRADEMAS. Thank you.

Mrs. GREEN. I hope Mr. Barrett and Mr. Wilson will both join in. I would not want the record to show that silence indicated 100 percent agreement if, in fact, it does not.

Mr. HOGAN. To pursue this particular line of inquiry a little further, in regard to one time single purpose construction grants, the Chief Justice's language in the next sentence is:

> There are no continuing financial relationships or dependencies, no annual audits and no governmental analysis of an institution's expenditures on secular as distinguished from religious activities, inspection as to uses of minimal contact.

Would it be profitable for the committee to examine, for example, the kind of contact that actually was present or is typically present in a construction arrangement? The number of years over which it takes place, the kind of supervision, the kind of audit, the kind of investigation and analysis and performance standard requirement, compliance and all that sort of thing, in an effort to determine whether anything like those standards could be imposed elsewhere. In other words, a university's construction contacts, even though they may be described cryptically as a one time single-purpose construction grant, might really include conduct in regard to one arrangement going over a period of years, and if the typical university has more than one such construction arrangement, it may develop a continuing relationship, financial dependency, annual audit arrangements, and an analysis of performace and all that, which is perhaps comparable to that which we would have to go through in giving aid for other purposes.

Now, does that kind of inquiry seem worth the committee's pursuit?

Mr. WILSON. It is, Mr. Hogan. It was stressed in the *Lemon* case that both Rhode Island and the Pennsylvania statutes required Government administrators to review the books of the schools benefiting from the aid to assure themselves that the government aid was not being used to support the religious functions of the particular schools. The portions of the *Tilton* opinion you just read constitute distinctions the Chief Justice was making between the Federal statute and what was going on under the state statutes reviewed in Lemon. It is unfortunate that the Chief Justice didn't look carefully at what does, in fact, happen under the Higher Education Facilities Act. For example, the evidence in the Tilton case showed that after the building is constructed, HEW undertakes a system of post-grant reviews. Under those reviews, as I understand it, the Federal inspectors go to a college and, probably by discussions with the administrators, try to determine what is going on in the building. A building, after all, is nonideological only as long as it stands without people in it. Once people enter that building and teachers begin teaching, the building can be ideological, and the government is required under the terms of the statute to assure that no sectarian instruction or religious worship occurs in the building.

I think we can project from *Tilton* that that type of inquiry by the Government concerning what is going on in a building is valid, because the Chief Justice approved that form of surveillance in upholding the Federal statute.

Mr. HOGAN. Did you have a comment, Mr. Barrett?

Mr. BARRETT. Yes, I do, Mr. Hogan. If I understood your question, it was whether or not an inquiry by this committee as to just what procedures are followed in monitoring the administration of grants under the higher education facilities program would be fruitful in anticipating what the Court might do with regard to some extension or additional aid to institutions of higher education, but aid of a different nature, such as general support. I must say I would think that such an inquiry would not be fruitful.

I think in anticipating what the Court will do with another form of aid, you really have to look at—how the Court regarded this program on the record of these cases. The Court clearly places considerable importance on minimizing the amount of Government surveillance or contact that would be required over any period of time, but here again there are two types of surveillance or contact involved: One is generally esssentially a physical or administrative type, finding out that the Government dollars have been spent properly, other than with regard to the religious question.

I suppose that type of surveillance might be involved in the textbook or busing situations the Court has sustained, even though the aid extends over a period of time and is not a one-shot thing. But I think the opinions show a much greater concern for the type of surveillance in the course of which the officials doing the surveillance will have to make judgments as to whether particular activities are or are not of a religious nature, whether they involve indoctrination, whether they involve worship, whether the atmosphere in which the activity is conducted is somehow pervaded by religion. There, I think, the Court was impressed by the fact that neutral—what it calls neutral items—what the Chief Justice calls neutral items—don't require the—perhaps the degree of surveillance that teachers, what they regard as nonneutral teachers, would require. But again, I think that in saying that it should be emphasized that that was in the context of the higher education institution. I have wandered somewhat from your question, Mr. Hogan, I am afraid, but I will welcome——

Mr. HOGAN. We have a lot to cover and lots of questions to put. There were two or three major categories of inquiry I wanted to suggest, but I would like to list those, Madam Chairman, and then perhaps pass the questioning on to others for a moment. But my analysis would lead me to believe that it would be important to the Court that Congress had examined such problems as surveillance of and have made, if possible, made on the kind of things which the Chief Justice indicated to be of interest to the Court in the *Tilton* case. If so, it would be worthwhile, let me put it as a proposition in order to save time, for the Congress to examine the nature of the secular education offered in the religiously affiliated schools—"religiously affiliated schools" as compared to State universities to establish similarities as we might find them, including such things as the probability that they are similar because they are in the same accreditation process, the same associations, they face common problems of transferability of credits, their graduates are accepted in the same graduate schools, the course content and book texts are similar, as well as standards of academic freedom on the part of faculty being similar.

Now, if we were to make such an examination, it would be in the belief that our examination and our conclusions would be of importance to the Court. I take it you gentlemen would agree with that.

Now I take it also, Mr. Wilson, from your comment in regard to that final footnote of Mr. White that we would probably also have to prohibit requiring religious courses and religious tests in admission, and require that religious courses taught in these "religiously affiliated institutions" be comparable in nature to that taught elsewhere. In other words, the approach must be secular. Congress might make a finding that the religious tone on campus was similar on the part of these "religious affiliated" institutions to that on campuses of State institutions in such matters as having chaplains and the usual patterns of extracurricular religious activity. In other words, might you think it would be worthwhile for us to examine the nature of religious tone given to a campus in higher education in order to establish that it does or does not pervade the entire structure?

Mr. **Wilson**. Are you suggesting that matters like this go into the statute itself?

Mr. **Hogan**. No, but we would have a record and probably a committee report.

Mr. **Wilson**. You point out one of the great ironies of the Chief Justice's opinion. The emphasis, in the opinion, is on avoiding excessive entanglements. But the moment that any arm of the Government, even a court, begins to examine the character and nature of a religiously affiliated school, you run right into entanglement.

Mr. **Hogan**. May I interrupt? It seems to me the purpose of that inquiry would be to establish, if it were so, that the nature of the types of institutions, "religiously affiliated" and State supplied, is quite similar and therefore entanglement does not exist. Therefore, the continuing surveillance would be minimal and would be comparable to that which would have to be applied also to State institutions. We could rely on the normal patterns existing in institutions of higher education to make sure that the secular purpose of the legislation was fulfilled.

The purpose of this would be to reduce entanglement in the sense of a finding that continued surveillance, intensive surveillance, could be minimized.

Mr. **Wilson**. I think such an inquiry would be advisable. It would be part of the legislative history. The Congress could then assume that aid would be extended to church-related schools without the need for the administrators of the aid program to conduct similar inquiries of their own subsequent to the passage of the legislation.

Mr. **Kauper**. I think that that kind of approach obviously may be a basis for eliminating any need for very heavy-handed administrative surveillance. I think, though, that you have to keep in mind that in the *Tilton* case you did have a series of findings by Congress which emphasized that in the view of Congress the secular functions could be identified and separated. That didn't preclude the Court from examining the question in the context of the four specific colleges before it.

That is, it didn't simply say Congress has made a finding in general that church-related colleges are all of a certain nature and therefore we will really just accept that finding. It examined these four colleges. I think no matter what the finding, you do face a possibility at least that the Court will continue to say that you have to examine each college.

Obviously, the more persuasive the legislative finding is to the court, the more willing it will be to accept it, and presumably, to accept a general provision against secular activity as sufficient on the face of the statute without a lot of additional administrative work. In other words, I think you can benefit yourself perhaps more on the question of entanglement, than with respect to what the Court might do in looking at, for example, the effect of this aid on a particular college campus.

Mr. QUIE. Would the gentleman yield? I wish you would talk into the microphone, because I keep losing the gist of what you are saying. It would be helpful because this is important questioning.

Mr. HOGAN. I am sorry. I don't often have a chance to talk.

Mr. QUIE. Your questions seem to infer that we will be moving into an oversight action here, which I hope we will. I would like to carry it one step further and to determine how the church related institutions have changed their pattern of operating since the Academic Facilities Act was enacted. It might be good for the church-related institutions to have this knowledge so that as they ask for further aid, they will know what it does to their independence.

Mr. HOGAN. You are suggesting not that we do it now, but rather that it be done by the committee in the future.

Mr. QUIE. That it be done by the committee as we develop the oversight to determine the kind of surveillance that HEW does and the differences that exist between a public and private institution you talk about, but also the changes that were brought about by the private—especially church related—institutions in order that they could make certain they conform and not be subject to constitutional challenge.

Mr. HOGAN. Further changes would be made in order to conform to whatever the requirements were with regard to institutional aid, I am sure. Madam Chairman, the time is passing. There were two other major categories of inquiry we should get into. One has to do with obtaining the comments of these gentlemen on the delivery systems for institutional aid that we have considered. They are: the capitation formula, the cost of education overload on the grant system, and the discretionary fund. There are also other possibilities, for example, some development of a categorical system on a contract basis. A second category of inquiry in which some members present would be interested would have to do with the effect of the Court's decision on elementary education.

Mrs. GREEN. I suggest you ask your questions and with the understanding——

Mr. QUIE. I think all of us would learn more if Mr. Hogan would pursue his questions than for us to interject another separate line of questioning. He has already thought out how he wants to pursue it and I would prefer doing that. Any member could interject if there is an additional question.

Mr. HOGAN. We have given you only a few days to think about the problem of general aid. I have sent you materials on the various possibilities that are before the subcommittee in the way of the granting of institutional aid. Basically, there are three possibilities. One would give aid to institutions on a capitation basis, that is, the number of students on an earned credit basis, or on degrees granted. The second would give aid on what is called technically a cost-of-education supplement. It would really be a way of delivering aid to those institutions that receive recipients of Federal grants as students. The third is a discretionary fund proposal. Basically the fund would be given to the Commissioner of Education with the responsibility on his part to give it to those institutions that were most in need. All these systems really have to do with delivery of need and they don't, in the subcommittee's discussion of them, have any special limitations on how the university would use the aid.

It is contemplated that we could put in such a provision as has been approved by the Court to preclude the possibility of use for religious purposes. We need stronger language than what is now in there. But apart from that, the thought is that general aid funds would be useable at the discretion of the university to put where it wanted, including construction, operation, maintenance, teacher salaries, and all the normal expenses.

Could you give your comments on how those delivery systems would come out in terms of constitutional analysis?

Mr. KAUPER. I am not sure we are in total agreement on this question. In considering any of these—and I think in one sense they all present what may be the same problem, no matter how you measure the formula or what kind of dollars we happen to be talking about—the obvious question is: Whether or not one can make a grant to a college which is to go to its operating budget where the only condition imposed is that it not be used to support a divinity or theological school or otherwise be used for religious instruction or sectarian activity. I assume that that sort of condition would be in it and I start from that assumption.

H.R. 7248 at the moment contains only a prohibition on divinity schools or theological schools, and I think it would have to be broader than that. But assuming that it has that sort of general restriction, then I think the question becomes whether or not *Tilton* can be read as saying that is enough. There is room for great argument. There was a suggestion made here that I had suggested that any form of general aid was unconstitutional, and I didn't mean to put it that strongly.

I think one could anticipate, number one, you will get a lawsuit on it. That much I am confident of. So you will ultimately get a determination whether it is constitutional or not. I think that the argument and the way I would view this is—for example, you give a college what is essentially cash as opposed to a building or some kind of facility where it is clear that the funds can be used to support the direct teaching mission of the college—whether the Court will insist on something more than the mere general assurance that it will not be used for religious activity. To me that is what the issue is. I don't know that there is any very clear answer because you are into those three marvelous factors that you have to juggle back and forth.

Now, if one assumes that there are certain church colleges that might not even be eligible to receive construction aid, it seems to me there is at least a possibility, in light of the Court's opinion, that those same colleges would have a problem with any form of general aid. Remember the Court did examine the four colleges in *Tilton* and make findings with respect to those four, and, you may recall, specifically rejected an argument that said, let's look at a composite view of church colleges. Any college, it seems to me, which could not have received a grant under the existing law, is going to be in the same problem with any form of general aid that one may talk about. That is a case-by-case kind of analysis. But if one assumes that we could start with a group of colleges of the type already characterized in *Tilton*, and let's start with that, then I think you are left with the question of whether or not there must be something in addition to that general assurance, because if you take the Chief Justice's words, teachers are not neutral. Teachers are almost inherently ideological.

I don't mean to suggest necessarily that the Court will hold it unconstitutional, but I think certainly one cannot read *Tilton* as point blank saying that it is valid. There are arguments in the case which would suggest that, in dealing with a teacher, to make sure that the condition is being complied with one might have to engage in a greater degree of surveillance than otherwise.

Mr. Barrett made a distinction really between two types of entanglement. The one kind is financial entanglement, the overseeing of books and records. It may be that this program could be structured in such a way that that would not be much of a problem, at least, if you compared it with what, in fact, is done with these construction loans now. The more difficult problem is the kind of entanglement which says to the Government, you have to have somebody who is capable of deciding whether that teacher is in fact engaging in religious worship. The Court might very well seize upon that to say that in a form of general aid there must necessarily be some additional form of government judgment of that kind, which is enough to make it bad. I don't think anybody can give a very firm answer. Obviously, you want to structure a program that calls on the face of the statute for a minimum of operational surveillance.

Mr. BARRETT. Mr. Hogan, I think that even if adequate assurances on the use of the funds were built in, whatever that may be, the method of determining the amount of entitlement, whether through capitation or supplementation allowance based on the student loans, whatever, at least it does raise questions. If, as H.R. 7248 has, there is a capitation based on students or hours of credit of study unrelated to sectarian matters, then you have the administrators of the program necessarily involved on a continuing—more or less continuing basis in making the type of judgments which we have been talking about that the Court seems to disapprove. Namely, judgments as to what is and what isn't secular.

Mr. HOGAN. Are you suggesting there will be a difference in the nature of review depending upon a difference in the delivery system? That the difference in the review under a capitation formula would be different than what it would be under a cost of education formula for delivery?

Mr. BARRETT. No. What I am suggesting—it may be that I am using the wrong terms—is that a formula that is based simply on, say, the total number of students, without regard to what they are studying or what they are engaged in, would not involve the administrator in anything more than counting students or requiring a report. If, on the other hand, the computation is based either on students involved in purely secular studies and activities or on hours of credit that are of that nature, then the monitoring and determining the amount of entitlement and post auditing would involve a different type of judgment, qualitatively a different type of determination, a determination of different things, and it is getting over into questions of religiosity which you avoid by the first. Am I being coherent?

Mr. Kauper. Maybe we can make it more specific. H.R. 7248 presently contains a provision which says, in essence, that in determining the credit hours to be accumulated there is to be an exclusion of hours in religious instruction. Now, one can argue, I suppose, that that is perfectly proper because otherwise one may be in the position of providing funds in aid of religious instruction, but it presents you, in a way, with precisely the same dilemma you had in the parochial school cases. It seems to me in the parochial school cases it was an insoluble dilemma, and it may be here—namely, that some administrator must determine whether particular credit hours are in fact credit hours of religious instruction. That is, in a way, one aspect of the entanglement question, the need to make precisely that sort of judgment. That element of the entanglement question is not such a new idea. Although the Court did not cite the cases, it goes back almost to the whole body of cases about involvement of the civil courts in making religious judgments about who is the appropriate group of people to represent a congregation and so on. It is the same sort of idea. I am not sure exactly what the solution is. The Court, obviously, didn't see one in the parochial school cases.

Mr. Hogan. You are not saying quite what Mr. Barrett said, as I understood him. As I understand him, he was saying there is a difference in the terms of the quality of entanglement depending upon the delivery system. That seems to me incomprehensible because we would face the same kind of problem in regard to the use of the money. That is, are the students receiving religious instruction, no matter how the college or university got its money.

Mr. Kauper. Maybe I misstated what Mr. Barrett was talking about. I thought we were on the same general track, which is that if you have to exclude somehow that which is religious or sectarian, you have a problem of having to make individual judgments about individual courses. Now, one can argue, of course, that you will have to make that judgment no matter what form of delivery service you happen to use. I think a formula of the kind you have here highlights it. Certainly, it sort of jumps right out at you that somebody will have to decide whether this is religious instruction or not.

I think it may be possible under more generalized forms of delivery that you might make a more generalized inquiry. That is, that you would not really have to go down to saying, is this course taken by this student a sectarian course, or not? You might be able to satisfy the constitutional requirements by a more general inquiry about the nature of the curriculum as a whole.

Mr. Hogan. Do you have a comment, Mr. Wilson?

Mr. Wilson. I personally am not too troubled by the delivery system that is chosen. I think the Court is asking this: What is the money being used for, rather than how do you measure how much money a particular school will get? What will it do with the money once it receives it? I think the provision in the bill that has been pointed out does, in fact, suggest a form of entanglement that might well be avoided. Perhaps the pure capitation formula, number of students enrolled full time irrespective of the courses in which they earn their credits, is sufficient. There is no necessary presumption that you are subsidizing every course they are taking. You have to look to see then what a college does with the money it gets. So long as the college does not put that money into religious instruction, you avoid constitutional difficulties.

Mr. Quie. Would the gentleman yield? What about the situations in the past like the GI bill after World War II where up to $500 went to the college? Was there any surveillance at that time to see what actually was taught in the college, what the money was used for? Wasn't that the same as the tuition a student pays? There was no restriction against teaching religion or even religious worship.

Mr. Wilson. That is the way it was viewed. The GI bill was structured sort of along the child benefit lines. No one seemed troubled by the fact that when the form of delivering in the GI bill changed, when the money stopped going to the student and went to the institution, that the institution might take those funds and put them into their religious studies courses. I don't think those problems were perceived at that time.

Mr. Quie. Just as now with the educational opportunity grant, there is no limitation on what the college might use the money for—it can use it paying religion professors—wouldn't we be safer to keep the money as close to the student so as to be considered under the child benefit theory rather than these other problems, either capitation or on credit hours?

Mr. Wilson. Clearly tuition grants made to the student would be the most prudent course. The question is whether that form of aid is what is needed at this time.

Mr. Quie. What if you had cost of education allowances going along with it? Does that look at the child benefit theory, or is that considered capitation?

Mr. Wilson. I think that would be viewed more as an institutional grant than a child benefit concept.

Mr. Brademas. Would the gentleman yield? I should have thought, just following his question, that what would be a crucial question to put would be the purpose for which a cost of education allowance would be expended—I think that is what Mr. Hogan's question suggested earlier—namely, that no matter if you use per capita basis for making institution aid or a cost of education allowance or a special distress fund, that is, whatever the delivery system, the question is the purpose for which the funds received are to be spent, and I think what is ironic, as I understand it, Madam Chairman, is that we haven't had much difference among ourselves on our committee with respect to the purpose of the expenditure of the funds. We have all been more or less in agreement that the monies could be, from our judgment, spent for any purpose and we have been wrestling with the delivery system problem. Am I off base, Mr. Hogan? Is that an accurate description of our dilemma?

Mr. Hogan. That is a description also of exactly how the subcommittee has approached the problem. Pretty general agreement that, once the university got the money, it would have discretion on where to put it. Basically, disagreement on how to get it to them.

Mr. Brademas. Could I ask one other question at that point? That is, what relevance for our problem the medical school program now has? As I understand it, we make grants to medical schools which are associated with church related institutions, but I don't think, Madam Chairman, anybody is complaining about that. Do you have any comment?

Mr. Kauper. I am not familiar with medical schools programs. Maybe Mr. Barrett is.

Mr. Brademas. I can tell you now there is a present law which has been used as an analog for the third delivery system Mr. Hogan suggested, the special distress grant program. Under the medical school construction act, whereby if a medical school is about to go under, the Surgeon General can say, here is some money to bail you out and the bailing out is not defined much more specifically I think than that. It is a general purpose kind of grant, but so far as I know nobody is suggesting that it is unconstitutional because it goes to the Georgetown Medical School.

Mr. Barrett. I think the constitutional problems are really quite different with respect to the delivery of medical services of a church-affiliated hospital and Government assistance to an educational institution.

Mr. Brademas. It is not a hospital. I am talking about medical schools.

Mr. Barrett. Yes, indeed, even there, while the difference isn't as pronounced as between actual hospitals and schools, I would suppose that the tendency toward religious indoctrination would be considerably less in the professional medical school, even though church affiliated.

Mrs. Green. Could I pursue that for a moment? If it is constitutional to provide federal assistance to a medical school for the education of doctors and other health personnel, would it not also then be constitutional to provide assistance for people in engineering which is certainly even a more secular subject. As I view it, in a medical school, there are many religious questions today.

There are such questions as that of abortion. There are questions of family planning. There are questions of what assistance you give to a very ill person at a particular time. These questions are very much dependent upon various faiths. But if you say, Mr. Barrett, that it is constitutional to do it for a medical school for a particular purpose, than what about saying that the funds could go to an institution for credits earned in secular subjects that are very similar or identical to secular courses offered in non-church-related colleges and universities whose credits are transferable from one university to another without any religious question at all being involved by anybody?

Mr. Barrett. I think it would follow.

Mrs. Green. You think that would be an approach?

Mr. Barrett. Well, it just raises again the fundamental question of what relative weight the Court in *Tilton* intended for the factors it considered. The question of how separable the college level, the grad school level as the case may be, as compared with the parochial level are the secular and the nonsecular aspects and how much monitoring and control is required in order to preserve that separation in the assistance given.

Mrs. Green. But my question was based on what I understood you to say, that if it were going for the specific purpose of providing medical education, it was different, it was constitutional. I don't understand why it would not be constitutional to provide training for engineering, then, or to train people for the Federal civil service or State Department.

Mr. Kauper. May I comment on that for just a moment? If I can go back to the comment I made a little earlier, I don't think that the question of how you measure the dollars—and I think that we are agreed on this—really is the kind of test we are talking about. I think the more crucial question is what purpose are we putting the money to? Now, your question, I think, really combined both features because we began talking about using a formula which would not be restricted as to purpose, but which would arguably be good because it is measured by the number of hours of transferable credit, for example.

Mrs. Green. If I may interrupt, Mr. Kauper, I was suggesting an alternative, that maybe the formula could be that the institutional aid be based on the number of credits earned in the secular subjects which are identical to or similar to those offered in non-church-related colleges and universities provided those credits have full transferability.

Mr. Kauper. Yes; but my question then is: Having that formula, which is derived from these credits, do we then also have a restriction on the use to which the money is to be put, or are we suggesting simply that it is permissible to have a formula which tells you how many dollars, without any restrictions as to purpose? Now, I am inclined to think that we need to have restrictions as to purpose.

I think H.R. 7248, for example, recognizes that to a degree. For example, I suppose one could structure a system which says to a college, you will get aid based on numbers of transferable credits and if one had no restrictions as to purpose that college could easily turn around and put all that money into its divinity school. I take it everybody is agreed they cannot put that money into a divinity school. Hence, I think the question is more than the method which one uses to raise the money and determine the amount of money, it is what operable restrictions need to be imposed on the question of use.

Now, with respect to the medical school situation, I suppose one answer is that *Tilton* was only decided on June 28 and we may yet have a suit involving the medical schools if somebody could find a medical school where there was demonstrably some kind of religious instruction or sectarian activity taking place. Also, we do have the fact—and I suppose this is always a little inhibiting to somebody who is thinking in terms of suing, although it is, I agree, not exactly the same—that we have had recognition since back around 1910 that the Government can aid construction of hospitals and medical services in that sense, even though under the control of a religious order. That is one of the oldest cases we have around in this whole field. It is conceivable that one could find a medical school where a challenge, after

Tilton, might in fact be appropriate. I am not sure one can start with the assumption, let's take that as the absolute gospel and proceed from there.

Mr. Wilson. May I add a comment on that? In part, the constitutionality of these statutes would depend upon the view taken of them by the people who intend to challenge them. The statute will stand so long as no one sues. The leading opponent of this legislation is Leo Pfeffer, counsel of record in the *Rhode Island* case and in the *Tilton* case. He stated in court in the *Tilton* case, in the district court, that he saw absolutely no difficulty with giving aid to graduate schools affiliated with church-related institutions. He views the law school or medical school as quite different in kind than the undergraduate college or a parochial school. That is one observation. The second is——

Mr. Brademas. What is the basis of his distinction?

Mr. Wilson. His theory is that you cannot aid a sectarian school and that there is a scale of sectarians, and at one end of that scale are the parochial schools described in the *Rhode Island* case and the other end would be his law school. Then you begin to fit the other institutions somewhere between those two scales.

Mr. Quie. Would you yield? Is it anything of a practical matter that the private institutions that have grade schools aren't teaching much religion anyway?

Mr. Wilson. Yes, it is quite a practical consideration.

Incidentally, the Wisconsin Supreme Court upheld an aid program to the Marquette School of Medicine applying a test quite similar to the one applied by the Chief Justice in the *Tilton* case. That is some precedent for that position.

On the other point, on the formula you suggest, limiting these credits to secular subjects, such a device was in fact attempted in Rhode Island and Pennsylvania. In Pennsylvania the aid was limited to the teaching of physical science, physical education, mathematics and modern foreign languages. Yet that was not sufficient. In Rhode Island, the teacher receiving a salary supplement was required to teach only a course actually being taught in the public schools. Again that was not sufficient. I view the critical element in these decisions being the character of the schools involved so that you may well impose a formula that would be invalid at the elementary and secondary level, but valid in an aid to higher education bill. You will always come back to the nature of the school that will receive the aid. That is the critical distinction, in my veiw.

Mrs. Green. In your judgment, would it make any difference if we said that x number of dollars—I take it that you agree it is not the delivery system, it is what happens after the dollar gets there—if we said the money would go to a school of engineering, school of social science, school of whatever it may be, would that in your judgment——

Mr. Wilson. It would minimize the risk in subsequent litigation. For example, it would be almost impossible for a school of engineering to engage in the teaching of religion or to permeate religion into the subject matter. Social science, depending on the school, can present a different problem. But surely, it would minimize the risk of a court finding permeation of religion into the subjects that are being subsidized by the public money.

Mrs. Green. I wasn't quite sure, Mr. Barrett, whether you agreed with Mr. Kauper and Mr. Wilson that the delivery system was not really the issue, but rather how the money is used after it reached the institution. Do you agree with what I understand their position to be?

Mr. Barrett. I certainly agree it is not the primary issue Madam Chairman. I was suggesting that it can raise questions. On the one hand, there can be an involvement question if the delivery system requires judgments on religious matters; and the other question would be if the delivery system was so broadly based that it could in some circumstances be charged that it was providing general aid to the religious affiliated institutions beyond what the established secular needs were as compared to other institutions. I don't want to suggest that either of those is a fatal defect or may even be a serious question, but I think it is something that should be considered.

Mr. Quie. Madam Chairman, would you yield? Because I don't fully agree I am asking these questions. I gather from your answer to Mr. Brademas' and Mrs. Green's questions that the delivery system doesn't make much difference. It is the use that is made of the money afterwards. Isn't it possible to develop a delivery system that has less chance of being declared unconstitutional? What I have in mind is that if you provide the aid for only certain types of students, aid to the institution for only certain types of students, aren't you less likely there to run into the constitutional question just as the GI bill for World War II veterans would have been less likely to have a constitutional challenge than, say, the pure capitation assistance to all colleges?

Mr. Kauper. I think what you said put the question in terms of delivery services, the kind of formulas used and so on. Then you put it in terms of aid for certain kinds of students. Now, that is part of the problem, because I don't think the latter is really a question of what delivery system you are using. That is a question of what they are doing with the money when they get it. In other words, I think it may be difficult to convince a court that because your measure, your formula, is based on certain types of students, that that is what the aid is going for. That is where I am having difficulty making this jump. Now, with the GI bill idea—and you yourself characterized it, I think, a little earlier as a kind of child benefit theory—obviously, you take cases like *Allen* involving textbooks or *Everson* involving the busses, and if you can fairly characterize it as a direct aid to the child or parent, as opposed to the institution, you are on much sounder ground.

The difficulty with that is, it seems to me, if you say to a college, we will pay you so many dollars which will satisfy the tuition charge which you would normally make to that student, that is fairly easy to characterize, I think, as a child benefit arrangement. It just happens administratively you are handling it in this way. But if what you do is say, now, you go ahead and charge your normal tuition to that child, and we will give you $500 per head more, at that point we have lost the analog, I think, to the child benefit theory and you are talking about something different.

In other words, the point that was made—it has been made in virtually every case where this so-called child benefit notion has been used—a case like *Allen* or *Everson*—is that the school gets no direct benefit from this. This has been a point that the Court made in every one of these opinions. The notion is simply that you haven't really changed the number of dollars the school is getting; you are simply relieving the parent of an expense he would otherwise pay. I think you can't carry the child benefit theory much beyond that.

Mr. **Quie.** Let's take as an example the language adopted in the Senate bill in their committee where they provide $500 per recipient of a basic educational grant if the institution has less than 1,000 enrollment, and they scale it down $400 if it is between 1,000 and 2,000, $300, and so forth. In that specific instance, isn't this more closely related to the child benefit theory than if we just counted all the students?

Mr. **Kauper.** I suppose one can argue that it is, but it seems to me that logically it really is not, because obviously what is contemplated here is that so far as the child is concerned, tuition remains the same. That is, he will pay the same tuition whether you have this $500 grant or whether you don't have it. Therefore, it seems to me that while you can say it goes by the number of students who are getting assistance and it is therefore tied to benefitting students, presumably the benefit to the student is designed to come through a better service which the school will be able to give because it had more resources. And that is not really the kind of child benefit that is talked about in *Everson* or in *Allen*, at least. When you are saying child benefit at that point, you are really saying that there is a benefit to improving the quality of education.

Mr. **Quie.** What if there was a requirement that this money be used for the additional cost of educating those students? This would be over and above what the college was spending before, either because those students are more expensive to educate because of cultural, social or educational deprivation, or the fact that there were additional students.

Mr. **Kauper.** If you have a condition which says that the funds which are being raised in this manner are to be used to supply the particular cost which these students present, at that point you do have at least something of a restriction as to the use that can be put on the money, and I suppose to that extent you have enhanced the statute in terms of its constitutionality. But notice, you are talking at that point about a restriction as to what the university does.

Mrs. **Green.** If you do that, what about excessive entanglement? If you have x number of students and then you provide y number of dollars to the institution for these youngsters for a compensatory education, then would not the Government be required to see that that money was spent in that particular way? Would you get into this other constitutional question of entanglement?

Mr. **Kauper.** Yes; I think you would. It presents the question as to what kind of entanglement one really is talking about. It seems rather clear to me, obviously, that you have precisely the same degree of entanglement when you talk about a State university that might receive the same funds. It would be an entanglement in the sense that you would have to do some checking of books and records. What it would mean, it seems to me, given the way you formulate it, would be an inquiry to determine whether they were receiving religious instruction. It would be a determination to see to it that they were receiving compensatory education services.

Now that, it seems to me, is not as objectionable as what, for example, you had in the parochial school cases, because you don't have—at least I would think you would not have—the need for making any determinations about the religious nature of this. In other words, it seems to me that if you determine that these were compensatory services being rendered, that might very well be enough.

Mrs. **Green**. Then let me ask you a related question. At the present time we have research grants that go to an individual professor and involved in that is an administrative overhead. We have had innumerable cases where professors who have received research grants have gone to the president of the college or the administrator and have said, you would not get these funds if it weren't for the fact that I am getting them for research. Therefore, I have a right to say how they will be spent. Now, if we have for institutional aid, a delivery system based on the number of people who are receiving a particular form of Federal aid, in view of the child benefit theory that the funds be spent specifically for the student, to what extent would the parents or the students themselves be able to demand that the funds indeed be spent specifically for their benefit and nothing else?

Mr. **Kauper**. That is a very difficult question to answer. You are into all sorts of problems of standing and things of that sort. I assume what you would want to do would be to design this system so that the individual student is not there directing how this money is going to be spent. This would be an administrative judgment and as to the students at least would be final. I would think it could be arranged that way without a great deal of difficulty.

Now, if in fact there is a demonstration or somebody seriously believes—whether it is one of those students or some other student or some taxpayer—that the money is not being used in that way, and is, for example, being used to support religious instruction, they can bring the same kind of suit you have presently before the courts. That is not really a question of what you say in the statute so much as simply whether the facts demonstrate that that sort of activity is going on. Presumably they could bring a first amendment suit.

I think on the question of whether their judgment is to provide this kind of compensatory service or that kind, that it seems to me can be arranged in such a way that the individual student is not really in a position legally to challenge.

Mrs. **Green**. But if to avoid constitutional questions we should follow the child benefit theory, would there not have to be surveillance to see that it in fact was used?

Mr. **Kauper**. Yes; I think there would have to be. There is no question about the fact that there would have to be a form of control to determine that the Government funds were being used for the properly authorized purposes. I think the only point—I am repeating what I said before—is that it may not be as objectionable as a form of surveillance which requires the auditor or whoever it is to be making judgments about religious activities.

The judgment which we would have to make, it seems to me, in that situation, is: Are the services which are being provided compensatory? I think you might induce the court to believe that if they are in fact that sort of service, there really is not a religious question to be examined.

Mr. **Scheuer**. I appreciate very much, Madam Chairlady, your yielding. I think if you look at the history of the Elementary and Secondary Education Act, you might find the difference between surveillance of religious activities and education activities is somewhat ephemeral when it comes to the crunch. You are aware of the colloquy that took place on the floor of the House during the debate on the Elementary and Secondary Education Act that described the kind of education activities that the public schools could carry on at the religious schools.

Now, I was the sponsor of an amendment to that act that set up a national advisory council to carry on surveillance of the actuality of the way these public education services were delivered to the private religious schools. There is no question about what the mandate of the national advisory council was. For the first year or two they were in existence, the first several years, they issued several extraordinarily perceptive reports, about how title I was working in general, not at all addressing themselves to the question for which they were clearly established.

In a gentle way I tried to lead them into doing the thing for which they were established. Namely, looking into the question of whether there had been a breach of the church-state relationship in the way that the public education services were delivered at the private religious schools. It took 2 or 3 years before we finally dragged them kicking and screaming to address that very issue which they were originally assigned.

When they did, they came in with an extremely interesting report that indicated a wide discrepancy in the way that children in the parochial institutions were enjoying these public education services. In many parts of the country they weren't getting anywhere near what Congress intended them to get in the way of remedial services, and in other parts of the country there was clear evidence that there had been a breach of the church-state relationship. To the best of my knowledge, absolutely nothing has been done about this report since it has come out, either in helping the kids attending parochial schools to get the public education services we intended, or in remedying some of the abuses we found in the other direction. All of which leads me to think that when you get into the business of monitoring whether religious teaching is going on or whether the remedial services are actually being given and is more being given than what we contemplated, you are getting into a very hairy area where few of us in either branch care to tread.

It leads me to believe our legislation should be self-executing on its face so that it requires little or no congressional oversight and little or no branch oversight. The hard fact is that no matter what you write and what you legislate, when it comes to the crunch we don't do it.

The executive branch doesn't do it and we don't do it, for reasons that are perfectly obvious. It is a very ephemeral, unfelicitous area of operations for a Congressman or for an executive branch official. My question is how, if this might be our operating assumption, do we construct legislation that would be so simple and clear on its face that it would require little or no oversight or surveillance by either the executive or legislative branches?

Mr. Kauper. I suppose that is what everybody is looking for. I think to put all these opinions together, obviously the safest course is providing any form of aid of any kind is the provision of things. That is to say, that a local school board, for example, determines that a certain thing is appropriate for public and private education. That might be a school bus. It might be a textbook. That is a kind of one shot judgment. It is made, the thing is delivered and presumably that is pretty much the end of it. When you turn to the provision of money, I am not altogether sure one can find a very simple formula. For example, it was argued, after all, in the parochial school cases that a judgment was made that these schools provided a significant secular function, and on that basis they should be entitled to receive aid.

Yet the Court is quite clear in dealing with this; it says at one point that the Rhode Island legislature has not and could not provide state aid on the basis of a mere assumption that secular teachers under religious disciplines can avoid conflicts.

Right there is the dilemma. If they cannot rest on that assumption, then it becomes necessary to have some kind of additional assurance. As Justice White points out, there is no way out of the dilemma in that particular case. Now, in the kind of question the chairman asked, which went to the question of could we say this is going to be used, for example, for a compensatory school program, and by doing that perhaps avoid at least some kinds of entanglement and still make the aid effective, I think if you were to do that for the parochial school and elementary school you might run into a great deal of difficulty.

With a college, you might be able to structure a program in that way. You know, we have to keep going back to the fact the Court did see distinctions between a parochial school on the one hand and a college on the other. So I think there are various ways of trying to structure it. One way is to put it in terms of certain kinds of aid physically. Another is in terms of aid which is designed for a particular program which on the basis of a legislative finding, you might get a court, at least at the college level, to conclude really didn't present a serious threat of religious instruction and therefore perhaps no additional system of surveillance other than making sure it was used for that program would be necessary. But those are about the best suggestions I can offer on relating this kind of opinion.

Mrs. Green. Yesterday 50 minutes was spent by members discussing three prepositions. Two of those under discussion are "in" and "through." May I turn to one of the lawyers on our committee, Mrs. Mink, to direct questions to you on this?

Mrs. Mink. My interest is in the bill which is now under consideration by the general Subcommittee on Education which purports to establish the notion of general aid, distributing the general aid to all schools, public and nonpublic, on the basis of a head count and the number of children in the elementary and secondary schools in that local agency. Going back to comments you made earlier in describing the impact of the *Lemon* case, you made note of the paragraph in that decision which refers to the pervasive atmosphere of a parochial school. In that light, would there be any serious question in providing general aid if the language of the bill stated that the local agency, after consultation with the appropriate private school officials, will provide for the benefit of such children, meaning children in the nonpublic schools, through such schools, secular, neutral or nonideological services, materials and equipment, including such facilities as are necessary for their provision? Would that provision in the bill present any constitutional question?

Mr. KAUPER. Everybody is looking at me. What was dictated over my telephone was a rather shaky draft of this language yesterday afternoon, and I have not had an opportunity to study it that closely, but it does seem to me there are at least some difficulties presented by that sort of language. It is evident that the attempt is being made with this kind of language to structure something which is geared to the Chief Justice's language about provision of material and certain forms of services to be provided by the public school system as opposed to a formula of aid made directly to the school, trying to go along the line of *Everson* and *Allen* and those cases. There obviously—maybe I shouldn't say obviously—but it does seem to me that even after *Lemon*—there is room for trying to provide certain kinds of equipment, textbooks, things of this sort to parochial schools where the judgment is initially made by the secular authority.

The language which you have here raises several questions in my mind. In the first place, maybe I am highlighting the difficulty, I am not quite sure what "through such schools" means. I take it that could be read to mean it is to be done physically on the premises of such schools. If you add that along with the statement that this is to include such facilities as necessary, that suggests to me we are suddenly beginning to talk about building buildings or something for parochial schools. I think that presents very grave questions indeed.

Now, the language—you didn't read all that I was given and I assume we are talking about a much longer provision—the language I have here indicates control of the facility would remain in the public authority. I suppose that in one sense it is surmounting the 20-year limitation problem that was involved in the college case. But I think if we are beginning to talk about providing for parochial schools, there is a very grave question presented.

Now, it certainly is true that that is not what was at issue in the *Lemon* case. It is equally true that as to colleges it said buildings are nonideological and relied upon that as one of the three factors involved in upholding the validity of that statute. But I seriously question whether, in the context of the statement about the pervasive mission of a parochial school, the provision of a building under any circumstances that would be, in essence, a part of the parochial school would be legitimate. Maybe my colleagues don't agree with me, and I will let them come to it in a moment. There is another feature which I find a little troublesome because this is to be done by the public school officials after consultation with the private school officials. There is nothing in here which really uses as a measure of the provision of these services the comparable services being provided to public school children. It is conceivable that this could be arranged in such a way that, in fact, you are conferring benefits on parochial school students that you are not conferring on public school students.

I can understand what the thrust of this is, which is to use the *Allen* type approach by having a determination made that essentially this is what public school children are getting and we will provide it to parochial schools as a part of the public school system. There is obviously some merit to that. I think the language presents some difficulty.

Mrs. MINK. Does the use of the word "benefit of such children through such schools" present any additional problems when read in the description, secular, neutral and nonideological services?

Mr. KAUPER. Well, I think what you have here is a combination of about three separate ideas in one sentence. Its intent is to use the so-called child benefit theory. Part of the difficulty, of course, is that the so-called child benefit cases, if we want to call them that, were essentially cases where the aid or the thing was not, in fact, provided through the parochial school. It was provided directly by the public school system. So that to combine the notion of benefit to the child, if we are trying to play on cases like *Allen*, with the notion of aid through the school is an almost inherent contradiction.

Mrs. MINK. The other factor which was raised in both the *Allen* and *Tilton* cases, the *Tilton* case marking emphasis on the one time single purpose grant and in the *Lemon* case falling on the notion of annual appropriations, I wonder if you would comment on that with respect to the general notion of a general aid formula which distributed the money based upon a head count?

Mr. WILSON. That distinction doesn't make much sense to me. After all, under the Higher Education Facilities Act, money had to be appropriated each year. There was authorization in the original statute but annual appropriations. I don't know of any legislation or legislature that will appropriate money for more than 2 years. Some States will do that. I am not persuaded by this. The Chief Justice feared that within the legislature itself there would be these differences among the opponents and proponents. He apparently didn't see this taking place across the street from him, since the Higher Education Facilities Act was passed presumably because the schools getting the money weren't as religious as the ones fighting for the money in Pennsylvania and Rhode Island. I can only say that doesn't make much sense to me, that sort of distinction.

Mrs. GREEN. If I could interrupt, on the construction it really is never a one shot. You give money for planning. You give money for initial construction. You give money to finish. You know, it just——

Mr. WILSON. That is correct. At each stage there had to be some inspection of what was going on in the facility.

Mr. KAUPER. I think we are agreed that as a logical matter a distinction drawn here between the one-time grant in *Tilton* and the operational budget as a continuing one may not really be anything that one can rely on to make as much sense as it maybe first appears to.

There is one point in this, though, that I think is worth making. It is involved with the one-time concept. That is, it is clear the Court, rightly or wrongly, thought that the element of personal divisiveness was greater on the local level than at the Federal level. I think that that is a factor one has to consider—if the Court is going to emphasize that factor—anytime one begins to talk about aid to be administered by a local school board or a State agency. The Court may view that—particularly in the continuing appropriations process—as more divisive than what takes place at the Federal level.

Mrs. Green. Except that college construction is administered by a State agency.

Mr. Kauper. But I take it the divisiveness that the Chief Justice refers to is primarily in terms of the appropriation process. That seems to be the focal point of what he is talking about in terms of divisiveness. Maybe he looked at Pennsylvania and Rhode Island or maybe he was out last fall in the State of Michigan where perhaps his finding could be better justified.

Mrs. Mink. What about the paragraph in the *Lemon* decision which discussed the role of the teacher in the parochial school and makes the point that a teacher dealing with children of such young and susceptible age makes it almost impossible for the characterization of that kind of service as being neutral and nonideological? Would you comment on that with respect to the use of the word "services" in the legislation that we are considering? Should there be a bar to the use of teachers which are hired by the parochial school system as distinguished from teachers which are provided and paid for by the public agency?

Mr. Kauper. I am inclined to think that is necessary. I think if this reference to services contemplates that the public school system will either hire or designate parochial school teachers to provide these services, I see very little difference between that and the contract relationship that existed in the *Pennsylvania* case.

Mrs. Mink. In qualifying for aid for the public schools, we find a whole set of criteria set forth in the bill that we are considering. Now, since the section which allocates a certain percentage of the funds which a local educational agency receives to nonpublic schools is based on a head count, we have to assume that the requirements for qualifications and eligibility which are placed upon the local agency must apply equally with respect to the funds which it will later allocate to the nonpublic schools. Let me read this paragraph. It says:

> Any local educational agency in a state which desires to receive for any fiscal year a grant under this section shall submit to the appropriate state education agency an application which contains, one, an analysis of the facilities, curriculum, equipment, teacher preparation and other related matters of the elementary-secondary schools in the school district of that local agency, and assessment of the educational attainment of elementary and secondary pupils in basic educational subject areas; c, an analysis of the number of those students who proceed to post secondary education, those who after completion leave the elementary and secondary education system and find substantial employment, and those who leave school before completion of elementary and secondary education, d, an analysis of the need for adult education programs, e, the need for special in-service teacher training programs, f, a detailed description of the proposed use of funds granted under this section with assurance such use of the funds will best enable the local educational agency to meet the educational needs of children in the school district.

And so forth.

Since this is one of the four paragraphs of this particular section referring to the eligibility of the local educational agency to qualify for funds, what would be your comment with respect to imposing these criteria vis-a-vis the excessive entanglement provision of the *Lemon* case?

Mr. Barrett. I am sorry, Mrs. Mink, what were you reading?

Mrs. Mink. This is the proposed bill providing for general aid for elementary and secondary schools. The bill sets forth requirements about the applications which the local educational agency must submit for its initial allotment which will include that allotment it will receive for the number of nonpublic school children that happen to be residing in their school district.

Mr. Barrett. Mrs. Mink, I think the critical question is not the relationship or involvement between the local agency and the other Government agency, but the next step, what the local educational agency in order to carry this out has to impose or ask from the private school. I must say I am simply not sufficiently familiar—or familiar at all—with the terms of this bill to say. On the face of it, I don't see that necessarily the satisfaction of that requirement by the local agency would so involve it with the parochial private school that it would be constitutionally forbidden.

Mrs. Green. Would you yield? The part that you read pertained to all of the students in the district. It doesn't pertain to just private.

Mr. Barrett. Public and private, if I understand you.

Mr. Kauper. One thing one has to keep in mind when talking about surveillance in parochial schools is that long before anybody could talk at all about parochaid or things of that sort, we had a degree of surveillance, because in order to have a parochial school attendance which satisfies the compulsory education law, it is already clear a State not only has the right but presumably the obligation to make certain inquiries about the quality of secular education being given there, including teacher qualifications, and as you know teachers have to be certified and so on.

So, even when you come to *Lemon* you are starting with the fact that for many, many years you have had a system where some information is coming from parochial schools into the State system and is required. I am not sure, and I haven't really seen this language enough to detail any specific, but it doesn't sound to me as though we are asking for a great deal above and beyond that which perhaps some States already require.

Mrs. Mink. What about the second paragraph which calls for "an evaluation of the effectiveness including objective measurements of educational achievement of the programs and projects funded in the preceding fiscal year?"

Mr. Kauper. That, of course, suggests we are going to impose some kind of academic testing, among other things, and I suppose that even apart from questions of entanglement, that could raise some first amendment questions of a different sort. I have never really looked into the question, but it does seem to me that what this provision is aiming at is a kind of standard testing or something of this sort which might, taking that particular paragraph, present some difficulty. I am not sure it is so much a question of surveillance as it is of imposing on the church school something with respect to its method of operation.

Mrs. Green. Would you yield? Would that be different than the requirement now for accreditation?

Mr. Kauper. I just don't know. That was the analog I suggested a moment ago, and I don't precisely know what the States may now impose in terms of testing requirements. I would suppose that if we have a pattern in a number of our States where this has been done for some time, that is fairly persuasive. The courts have given weight to that kind of thing in the past and probably would again.

Mr. **Wilson**. The Pennsylvania statute had a requirement for testing and the Supreme Court in its decision did not highlight that as a problem. In addition, New York does impose a regent's examination requirement on parochial as well as public and other nonpublic schools. I don't think that alone presents much of a hazard.

Mrs. **Mink**. Supposing the Congress decided to require these various items I read only with reference to seeking funds for the public school students, and I didn't make similar requirements with respect to those funds which were allocated for nonpublic students? Would that contravene the equal protection clause?

Mr. **Kauper**. I can see the argument, certainly. I am not sure I would say it would. By virtue of the fact that, given the nature of the establishment clause and the free exercise clause, a use of a religious criteria as a basis for what may, in fact, be a kind of operational discrimination is in some cases even required. So I am not sure the fact that you are treating a parochial school here somewhat differently would govern. You have a sort of prima facie case, but the question is: Is it a rational classification? I suppose that one can argue in light of the first amendment, yes it is.

Mrs. **Green**. If we reversed that and only provide funds for the youngsters who would go to a secular school, does that give us a problem under the equal protection clause?

Mr. **Kauper**. That is the age-old dilemma, I suppose.

Mrs. **Green**. It would work both ways.

Mr. **Kauper**. One of the arguments always made in favor of aid to parochial schools is that it is otherwise a form of rather severe discrimination against these children. It seems to me from the court's opinion in *Tilton*, the court said to some extent you are going to have to have some degree of discrimination here, but how far one can go with that. I think for example, if you were to provide aid to parochial schools and not other schools you have an obvious problem. But the turning around, you can always argue, is constitutionally required.

Mr. **Wilson**. There is language in the *Everson* opinion to the effect that excluding children from public welfare benefits because of their religion or lack of it may run into a free exercise problem. You can give aid only to public schools. There is no constitutional problem there. But if you try to stretch a program so it will include public schools and those nonpublic schools without religious affiliations, I believe you get into a free exercise problem.

Mrs. **Mink**. I have one final question. Since the bill we are considering in our committee dealing with elementary and secondary schools and the general aid concept requires a local agency to make the determination as to what constitutes secular, neutral and nonideological services and where it finds that these services are not feasible or necessary, then to make such other arrangements as duel enrollments, given a State where the State constitution forbids aid to nonpublic schools, would there be a problem because of the requirements of the legislation that the local public agency make these determinations with respect to what kind of aid a non-public school is to receive?

Mr. **Kauper**. Rather clearly there is a difficult question, maybe not in making the determination, but at least in providing aid which it is determined to give. If the State constitution, as for example, I understand the Michigan constitution, prohibits any kind of aid to parochial schools in quite broad terms, it seems to me obviously the initial determination is: Does what they propose to do violate the State constitution? If it does, that being the organic act that these school boards operate under, they can't do it. It seems that way to me.

Mrs. MINK. There would then have to be a special provision in the legislation where a State constitution has such prohibitions to call upon the Secretary of HEW to make the determinations in lieu of the local agency as to what services are secular, neutral and nonideological.

Mr. KAUPER. Yes; and conceivably it would have to be more than just the determination. It would have to be the Secretary presumably that provides the service. That is, if what the State constitution prohibits is the school board from providing the aid, it might well be that the Secretary could determine this is the kind of aid which is appropriate for the school board to render and it still may not be possible for the board to provide it.

Mrs. MINK. Even if the legislation says that these funds must not be comingled and must be held separately, would there still be that——

Mr. KAUPER. I think part of the problem is we have 50 States and 50 State constitutions. If the prohibition is simply on the use of State funds and it is possible to keep the funds separate so that in essence the local school board is simply running a kind of channel through a Federal fund, that may well be permissible under the State constitution. There may be other State constitutions, however, and I am not that familiar with all of them, which in somewhat broader terms prohibit a State agency from being involved in this sort of aid. This might, simply as a deviation of that agency's function, quite apart from money, pose a rather severe problem because they might interpret that constitution as prohibiting them even from providing the service with identifiable Federal funds.

Mrs. GREEN. A moment ago you talked about construction at the elementary level with regard to the all-pervasive religious atmosphere, but if those facilities were constructed by a public agency and the title retained in the public agency, would the some constitutional questions be involved?

Mr. KAUPER. Well, I am not sure that is a question that can be answered altogether in the abstract. I think if what you built was a wing on a parochial school and you said title was going to be retained by the State, I think you still have a very serious constitutional question. I am not prepared to say you must read the *Lemon* case as saying this is unconstitutional. Certainly it is a different question. But whether the title is retained by the State or not, if it is really that integral a part of this overall operation, it seems to me there is a rather considerable risk that a court would say that was invalid. After all, part of what the court talked about in *Lemon* was not just the mission of the individual teacher, it was the mission of the whole enterprise. Now, if what you are talking about is the provision of a facility which is away from the school, which is possibly shared by that school with public schools, that is quite a different question, it seems to me.

Mrs. GREEN. Could I go back to the language in the elementary and secondary education provision, for those three prepositions and see if in the judgment of you three, one is less likely to be challenged constitutionally than the other? Let me state my concern. We have the courts language: "will provide for the benefit of such children through such schools, secular, neutral or nonideological services." Later on we have a statement that the administration, the control and everything else must reside in the public agency.

My question is that if aid goes "through" the schools, it allows an administrative control by the private schools. If it says that services will be provided for the benefit of such children "in" such schools, and in all cases the aid is to be under the control of public agencies, you have no question of administrative control by private agencies. If it is "will provide the services to the schools for the benefit of children," then it seems to me that it is saying it will go actually to the school itself and the school will have the control of it. There would be a benefit to the school rather than to the child. Are we making too much of these three prepositions?

Mr. **Kauper.** I think the idea of providing "through such schools" does suggest to me some form of control by that school. I can play with words here.

Mrs. **Green.** One is "in" and one is "to".

Mr. **Kauper.** When you say in such schools, it seems to me that is meant to be anything other than descriptive of the students, namely that they are students in such schools, it suggests only something fiscal. Now, the "to such schools," that is somewhere in the middle, I suppose.

Mr. **Wilson.** I agree with that analysis.

Mrs. **Green.** Let me turn to the voucher system that is being discussed at the present time. The Federal money would be given to the parent or to the child and they will spend it at the school of their choice. We have a requirement now by OEO in these plans, as I understand it, that in order for any school to be eligible to accept the vouchers and to be reimbursed they must have an open admissions policy. In other words, they must accept children first-come, first-served without any other question. Therefore, it would be impossible for a Seventh Day Adventist School to ask the child if he is a Seventh Day Adventist or to have a Catholic school ask a child if he is a Catholic. In your judgment, would it be unconstitutional if the voucher system were used without any such regulation?

Mr. **Kauper.** I don't think I know that much about the operation of a voucher system to give a very intelligent answer. I think the arguments, of course, are that if a student is using Federal money, that money has certain conditions attached with it that the school is bound by. I am not sure that is really necessarily the case. After all, this is money that is going to a student. If the argument is to be predicated on Federal funding, one can argue, after all, that he is the beneficiary of the Federal funding, not whoever it is he puts the dollars with.

Mrs. **Green.** You are saying in your judgment that requirement is not necessary in order to meet the——

Mr. **Kauper.** I am not sure. I can see the arguments on both sides. Without more chance than I had to think about this voucher problem, I am not sure I know enough about the tracing of Federal funding and that sort of thing to talk about the kind of conditions you impose on those who receive it. I think that is really, in part, what you are talking about here, more than you are about whether this is a form of aid to a school. It is really more a matter of conditions that go with the money.

Mrs. GREEN. Mr. Barrett and Mr. Wilson, would you have any comment?

Mr. WILSON. It is my understanding that some of the voucher proposals require some actions by the schools who are the recipients of the vouchers. This would permit a tracing of the funds, Federal money, in particular schools. At that point I think you run into some difficulties. I think the dissenters in the *Tilton* case who comprise part of the majority of *Lemon* are very close to applying State action concepts to private schools that receive public money. If a school receives a voucher from a child and cashes it with a governmental agency, and then you accept the view that State concepts prohibit a school receiving such public money from engaging in unconstitutional behavior either on racial or religious grounds, I believe those restrictions are necessary.

I think that something should be said also in a more general sense on the child benefit concept. It is easy to think you can get around problems of constitutionality by mere forms. But the court said two things in *Tilton* and *Lemon*. One, you cannot allow the risk of public money being used for religious purposes. Two, you cannot allow the Government to become too entangled in religion in trying to avoid such prohibited uses. If you view the voucher as in effect paying the total cost of the education of a child who received it, then you can conceptualize that voucher as paying for his religious education as well as his secular education. In that sense, you could well have a constitutional attack on the voucher plan, to the extent the voucher is cashed at a school offering religious training and indoctrination.

Mr. QUIE. Would you yield? When you ask the question about the voucher plan having prohibitions against it going to any school that discriminated because of race, I thought that would be a policy decision rather than a requirement of it being in danger of being unconstitutional. Again, the GI bill in World War II was actually a voucher plan, wasn't it? It seemed nobody raised any question, at least it never went to the court, when a GI wanted to take religious courses entirely, he could do so. Now, does the constitutional question come in if you provide the aid to the child and the child wants to attend an institution that is private and therefore engaged in either religious or segregated activities? We don't prohibit segregation in the private institution. Of course, we do prohibit it if a private institution receives Federal help. But here the student would be receiving the Federal help rather than the institution itself.

Mr. WILSON. Well, it would arise if the court would view the school as receiving money that can be traced back to State or Federal Government. Some courts may be inclined to hold that the mere receipt of public money by a private institution or organization requires that the private institution or organization behave in a constitutional manner, that it not discriminate. For example, there are such rulings involving segregated academies down South which received State funds. You can try to avoid such a result by giving the voucher to the child. But when he turns that voucher in to the school and the school sends it to the Government and receives a check in return, it will be easy to trace that money as coming from governmental sources. If you have too much funding of a particular school, a State action ruling is always possible. If there is too much participation by the Government in the affairs of private organizations, its actions become State actions for purposes of constitutional analysis.

Mr. QUIE. Would you say that a voucher plan, however, for higher education would run into the problem of being unconstitutional even if the students chose to attend a church related institution because religious teaching was a part of most of the courses?

Mr. WILSON. I believe the same dangers are there. If the student takes a certain number of courses in religion and the court conceptualized that aid as supporting his entire education, part of the aid will be seen as going to support his religious education.

Mr. QUIE. Then you would say the World War II type of GI bill would certainly run into danger today of being unconstitutional?

Mr. WILSON. It has a danger. Whether the court would dismiss it by use of the child benefit concept is another question. There are cases on record of men going through the seminary on the GI bill after World War II. That was never challenged. It could be that the form of the enactment is sufficient to satisfy the court. There is some language in Chief Justice Burger's opinion in *Lemon* that form is substance. The mere form of child benefit aid could possibly circumvent these difficulties.

Mr. QUIE. The present GI bill does not provide any amount to the institution in the way the old World War II did, but even under that, to the extent that that is a voucher plan, there is no prohibition against that money being used by a student to attend a church related institution, is there?

Mr. WILSON. No, there isn't. But it would be very difficult to determine what the student did with the money. He gets a check from the government each month. Whether he pays that over to the school or uses it for living expenses would be almost impossible to trace. I think in that form the aid can escape the constitutional difficulties.

Mr. QUIE. He wouldn't receive the money unless he is in attendance at the institution.

Mr. WILSON. That is true.

Mr. QUIE. But because it is paid to an officer of the parochial school, say, you wouldn't actually pay the money to the parents of the children for them to comingle with their own funds and pay the tuition to the school. They would have to sign the check over to that extent.

Mr. WILSON. That is right.

Mr. QUIE. So, if the present GI bill was one where you had to sign the monthly check over to the college, then you would run into more difficulty than presently is the case.

Mr. WILSON. Yes.

Mrs. GREEN. Under title I of ESEA, which is on the child benefit theory, aid going to the disadvantaged child goes to the school for the purpose of helping the disadvantaged child, and those funds are spent for teachers' salaries and all kinds of services. Do you think there is any constitutional question here?

Mr. KAUPER. You are talking about paying teachers' salaries where?

Mrs. GREEN. Under title I of ESEA, money can go for the payment of teachers' salaries who are perhaps in the public school half a day and in a private school half a day. I presume there would be a difference if the teacher was hired by the public school and going into the private school or whether the teacher was hired by the private school to teach secular subjects.

Mr. **Barrett.** Mrs. Green, certainly there can be constitutional questions, depending on the particular arrangement. Title I, however, does not require any particular arrangement. It does not require that the instruction occur in the private school. Indeed, the money need not go for instruction at all, depending on the project. Certainly the recent cases provide a lot of added food for thought. I don't, on reading them, consider them as particularly endangering the validity of title I. I think these cases are—the Pennsylvania and Rhode Island cases are—distinguishable and that it can still well be argued that both the *Allen* case and *Everson* and that line of cases do sustain the constitutionality of title I.

Mrs. **Mink.** You made a point that in your view in title I of ESEA the restrictions with regard to the use of funds providing for disadvantaged children contained no requirement in the law that these funds be provided and used in the school.

Mr. **Kauper.** Yes; but they must be used to provide services for the children.

Mrs. **Mink.** For the benefit of the children. That is our problem with the pending legislation. What if we had a provision which required the local educational agencies to provide these services in the school? Would that then fall under a——

Mr. **Barrett.** I think you have a more serious problem. Indeed, you have the problem of whether, though you call it child benefit, you are not really tending more toward benefit to the institution.

Mrs. **Mink.** Then, do I understand also, the similar kind of cloud would have to be placed on the language of these services through the schools for the benefit of children? If the requirement was that the local agency had to provide these nonideological neutral services through the school for the benefit of children, would there be a similar constitutional cloud?

Mr. **Barrett.** I think yes. I think——

Mrs. **Mink.** On the other hand, if we said that the local education agency had to provide these local services for the benefit of the children in such schools, being just descriptive of the children, we would at least avoid the difficulties.

Mr. **Barrett.** I think you might to some degree. I am a little troubled, though, at placing too much reliance on some magic form of words. I think the question is what are the mechanics of what is really going to happen.

Mrs. **Mink.** What if we said just for the benefit of such children and eliminate reference to the school? Would this then get us back to the title I provision which you say you see no particular difficulty since there is no requirement?

Mr. **Barrett.** If you get back to the title I language, it may be that you are not accomplishing very much. What troubles me about the proposal is that it is not clear enough, at least from my reading, exactly how it is intended to work. I would think unless it is clear there will be a lack of those assurances that it will not be used in an unconstitutional manner that the court seems to be looking for. I don't think that is remedied by using the form of words from the Supreme Court decision.

Mrs. Green. One final question for the record. If the provision were made for a facility that would be under the control of the public educational agency at all times and youngsters from private schools and public schools attended classes in this building, is there any constitutional question at all?

Mr. Kauper. I am inclined to think that that is a reasonably safe arrangement. I assume that they are not accompanied to the public school by their parochial teacher. That is, that the services are there provided by public employees and that the building is available to public and parochial students. I don't think that kind of arrangement presents any very obvious problem. Certainly it is not within the gambit of these cases of June 28.

Mrs. Green. Would either Mr. Barrett or Mr. Wilson see any constitutional problem there?

Mr. Wilson. This is essentially the dual enrollment concept.

Mr. Barrett. That is essentially one of the alternatives used under title I.

Mrs. Green. Do you have any more questions?

Mrs. Mink. No.

Mr. Quie. Not right now.

Mrs. Green. May I express my sincere thanks to you three gentlemen for taking the time to come here today. You have been of great help. Thank you very much.

The subcommittee will adjourn.

(Whereupon, at 1 p.m., the hearing was adjourned, subject to the call of the Chair.)

APPENDIX

NEWHART & NEWHART,
Savannah, Mo., May 3, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.

DEAR MRS. GREEN: I received your letter and enclosures of April 29, 1971, on May 3, 1971. I appreciate very much getting a copy of H.R. 7248 and a copy of the Congressional Record containing your remarks on the House floor regarding the same.

I further thank you for your efforts in my behalf concerning appearance before the Committee. I am happy to have the opportunity to submit my comments in writing in lieu of the former, and will forward to you my comments to reach you before May 10, 1971.

However, the purpose of this letter is to inquire of you and/or your Committee and counsel the intended use of Section 1076 of U.S. Code Annotated, also cited as Public Law 89-329, Title IV, § 426, November 8, 1965, 79 Statute 1238, regarding student loans.

Apparently the Office of Education has had some negative comments concerning the use of this statute.

We propose under said statute that a qualified Lender Institution Higher Learning establish a Trust with a commercial trustee who has funds available for student loans. All earnings and capital repayments would be assigned to the trustee. The qualified lender Institution of Higher Learning would hold legal title to the loans and the trustee would hold what is tantamount to equitable title to the loans.

The distinct advantages to the student loan program are as follows:

1. This will not add any cost to the student in the way of fees or tuition.
2. The effect is to do for the program what the Administration proposes to do in it's secondary fund.
3. The use of the Trust provisions will make money available to institutions of Higher Education and will accomplish the same thing in the private arena that is proposed with public funds.
4. There will be no cost to the Government.

I most anxiously need to know your interpretation of the use of the statute referred to above and whether or not you and/or your Committee and Counsel feel our outlined proposal properly utilizes the intent of the statute.

I will be awaiting your reply and in the meantime will formulate and forward to you my detailed comments for inclusion in your hearings record.

Thank you for your cooperation in the matter.

Yours very truly,

JOHN W. NEWHART.

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., May 3, 1971.

Hon. EDITH GREEN,
Chairman, Subcommittee on Education, Education and Labor Committee, House of Representatives, Washington, D.C.

DEAR MRS. GREEN: Testifying on April 6, 1971 before the special Subcommittee on Education, representatives of The American Bankers Association indicated an urgent need in two areas of the Guaranteed Student Loan Program. These are the establishment of a strong viable secondary market and the extension of existing provisions of the Guaranteed Student Loan Program, beyond June 30, 1971.

During the testimony, they expressed grave concern that the program proposed by H.R. 5191 would place harsh economic burdens on the student borrower and would impose stringent financial hardships on lending institutions. While The A.B.A. representatives were before the Subcommittee, you indicated that you would be introducing a new bill to amend the Higher Education Act of 1965. Mr. James O'Leary, one of the witnesses, asked permission to comment on these new proposals at a later date.

Accordingly, we would like to present the views of The American Bankers Association on H.R. 7248, as they relate to the Guaranteed Student Loan Program, and the creation of a Student Loan Marketing Association. We would like this letter to be made part of the record of the hearings.

As we interpret this legislation, H.R. 7248 would continue for five years the existing Guaranteed Student Loan Program and those provisions in the Emergency Student Loan Act of 1969 that relate to the special interest allowance payable by the Secretary of HEW. Under your bill, the present interest ceiling would remain at seven percent and the Secretary would retain the authority to pay the special interest allowance up to three percent. The existing repayment period would remain ten years while repayment of principal would continue to be deferred during the in-school period and up to three years for military service, service in the Peace Corps, or Vista.

The program of subsidized and non-subsidized loans would continue, as at present, except that the subsidized loan program would not be related to "adjusted family income of the borrower," but would merely require a certification by an eligible institution. Students receiving subsidized loans would have all of the interest paid by the government on a quarterly basis while in school and during the deferment period. Students receiving non-subsidized loans would pay the interest on their loans while in school, and during the deferment period, but the government would pay the special allowance quarterly.

As at present, the government would continue to pay the special allowance for all students during the principal repayment period.

The bill would also increase the maximum amount a student could borrow for one year from $1,500 to $2,500 and increase the total amount that could be borrowed from $7,500 to $10,000.

Although we are entirely sympathetic with the desires of the Congress, to reduce defaults on the loans as much as possible to minimize a possible financial burden upon the Federal Government, this is the one area of the bill (Section 430) that does give us a great deal of concern.

As we envision it, there will be three major problems:

(1) The difficulty of obtaining service of process so as to bring the borrower before a court of competent jurisdiction in view of the likelihood of continual mobility on the part of the student.

(2) The difficulty in obtaining a judgment against a defaulting borrower who contracts to borrow as a minor.

(3) The time involved in the procedure to reduce these notes to judgment could exceed the normal charge-off period required by regulatory agencies.

May we suggest that a system of regional claim offices be established similar to those operating under the FHA title 1 program. In this process, the FHA takes over the notes before reducing the defaults to judgment. In the Student Loan Program, government persuasion is likely to be more effective than attempts at collection by private lenders. At the same time, such a procedure would limit the exposure of young people to having judgment on their records.

We would like to suggest, as an alternative, some method whereby the borrower would create an agency relationship, with his parents, the school, or the government for service of process. This is now done under the various state motor vehicle laws where the Secretary of State becomes the licensed drivers' agent for service of process. We would hope the Committee could devise some method to create this relationship.

On line eleven and twelve of Section 430, there is reference to compensation for costs involved in reducing the note to judgment. We assume that these costs refer and would cover not only attorney's fees and court costs, but also those costs that might conceivably be incurred in tracing the borrower's present location.

Considering the present mobility of students and the anticipated default rate, we wonder whether the cost involved in reducing the notes to judgment, as set forth in Section 430, might be so high as to make this a major financial undertaking for the Federal Government.

Accordingly, it would be most helpful if the Committee could devise a procedure enabling the lender to obtain jurisdiction over the borrower without going through the long and costly process of tracing him down, serving him and finally reducing the note to judgment.

We are pleased to note that Part F of H.R. 7248 would create a Student Loan Marketing Association, which would serve as a true secondary market as well as a warehousing facility for insured student loans. The Association would be authorized to buy and sell insured student loans and to make advances upon the security of such loans, with the purpose of providing liquidity for student loan portfolios when needed. We assume the agency created by this bill would operate in a fashion similar to the Federal National Mortgage Association, and that all lenders would be treated on an equal basis rather than giving first preference to school lenders as had been intended under H.R. 5191. As you know, we have long advocated that Congress create a facility of this type to enable lenders to make more student loans during periods of monetary stringency.

The American Bankers Association would like to go on record as strongly supporting the provisions as set forth in H.R. 7248. However, we hope the Committee will give due consideration to the recommendations related to Section 430 of this bill.

As we see it, H.R. 7248 would have several major beneficial effects. Besides providing for a secondary market, it would allow the Guaranteed Student Loan Program to continue to be viable beyond June 30 of this year. It would also permit the evaluation of existing administrative techniques and the problems of collection in the light of the experience during the first major repayment cycle of the program. We commend the Committee for what we feel is a workable and urgently needed piece of legislation and we thank the Committee for giving us this opportunity to submit our views.

Sincerely,

CLIFFORD C. SOMMER, *President.*

STATE OF WISCONSIN HIGHER EDUCATIONAL AIDS BOARD,
Madison, Wis., May 4, 1971.

Congresswoman EDITH GREEN,
U. S. House of Representatives,
Special Subcommittee on Education,
Washington, D.C.

DEAR CONGRESSWOMAN GREEN: This letter is in regard to the current deliberations of the Special Subcommittee on Education on the Higher Education Act of 1971.

The State of Wisconsin provides two loan programs to students; a direct State loan program to needy students, and a conventional guaranteed student loan program through private lenders. This combination approach has enabled Wisconsin to provide one of the most comprehensive programs now available in the country.

Due to current Federal law, and interpretation of the law by the U.S. Office of Education, Wisconsin's direct loan program is not eligible for the full benefits provided to other programs. That is, the re-insurance and incentive allowance benefits provided to guaranteed loan programs are not available to state direct loan programs. In addition, it appears that state direct loan programs would be denied participation in the secondary market proposals currently under consideration.

I have discussed this matter with Congressman William Steiger and members of his staff. It has been suggested that I write directly to each member of the Committee regarding Wisconsin's problem in this area. Enclosed is a brief summary of the problem as well as a description of the dispute which currently exists with the U.S. Office of Education on this matter. Also enclosed is a copy of a resolution unanimously adopted by the National Council of Higher Education Loan Programs supporting the full participation by state direct student loan programs in all provisions of the Federal law.

I would be happy to provide you with whatever additional information you might request regarding this matter. In addition, I stand ready to meet with you or members of your staff at any time.

Your consideration of this important matter is greatly appreciated.

Sincerely,

JAMES A. JUNG, *Executive Secretary.*

Wisconsin Direct State Student Loan Program

BACKGROUND

Wisconsin established a State direct loan program in 1933. On July 1, 1966 legislation was enacted which modified the State program so that Wisconsin students who received state direct loans would be eligible for the federal interest subsidy benefits provided by the Higher Education Amendments of 1965. This federal law was enacted to encourage states to establish guaranteed student loan programs under which students would obtain loans from private commercial lenders which would then be guaranteed by the state guarantee agency. Interest sudsidies would be paid by the federal government to the private lender. Later, 1968, Wisconsin also established a guaranteed student loan so that Wisconsin now provides a comprehensive student loan program to students including a direct loan program for "needy" students and a guaranteed loan program for middle income students. Wisconsin, through the Higher Educational Aids Board, holds two separate contracts with the U.S. Office of Education to administer the programs.

FEDERAL LEGISLATIVE CHANGES

Subsequent to the passage of the Higer Education Amendments of 1965, two laws have been passed by Congress modifying the program structure:

(1) *Higher Education Amendments of 1968.* This law provided for federal *re-insurance* of up to 80% for all loans guaranteed by a state agency administering a program. Under this provision, the federal government reimburses the state agency 80% of the principal of all defaulted notes which the guarantee agency purchases from commercial lenders. Wisconsin entered into a re-insurance agreement with the U.S. Office of Education for the guaranteed student loan program, but since state direct loans are not guaranteed they were not eligible for federal re-insurance.

(2) *Emergency Student Loan Act of 1969.* This law provided for the payment of an *incentive allowance* to the lender by the federal government, in addition to the interest benefits, in order to encourage expanded participation during periods of "tight" money. The rate is set quarterly by the U.S. Commissioner of Education and may not exceed 3%. Again, Wisconsin as a direct lender was not eligible for the incentive allowance because the loans were not guaranteed.

STATEMENT OF THE PROBLEM

Simply stated, Wisconsin's problem is that subsequent amendments to the Higher Education Act of 1965 have not included state direct loan programs as eligible for the two new benefits of the law, i.e., federal re-insurance and the incentive allowance. Wisconsin has attempted to resolve the problem administratively by proposing to the U.S. Office of Education that all state direct loans be guaranteed under state guaranteed loan program, a procedure being carried out in the State of Georgia. The U.S. Office of Education refuses to approve such a relationship, however, arguing that since Wisconsin's direct loan program is based on need it violates the "intent" of Congress and thereby is not eligible. (See Appendix A for an expanded description of the arguments.)

BENEFIT TO WISCONSIN

If Wisconsin's direct loan program would have been eligible for *full* benefits under the federal law, the State would have received approximately $400,000 in federal re-insurance and incentive allowance benefits. This discrimination against a state program which is designed specifically to assist the most needy student is both inequitable and capricious. In addition, it is difficult to see how the comprehensive program established in Wisconsin violates Congressional intent since it is designed to provide loan resources to all students regardless of income.

THE SECONDARY MARKET AND DIRECT LOANS

To date all proposals for the establishment of a secondary market also exclude state direct loan programs from eligibility for participation. It would seem appropriate for state programs to be eligible in light of the fact the educational institutions are eligible. It is conceivable that in some states a state agency might centrally handle all secondary market operations for the institutions in that state.

APPENDIX A—STATE OF WISCONSIN VS. U.S. OFFICE OF EDUCATION

STATE DIRECT LOAN PROGRAM

(1) The direct State loan program administered by the Wisconsin Higher Educational Aids Board meets the federal definition of "eligible lender":

Title 45 Chaper 1 Part 177 Federal Rules and Regulations Supart A

177.1 Definitions

"(h) 'Eligible lender' means an institution of higher education or vocational school, an *agency or instrumentality of a State*, a financial or credit institution (including banks, savings and loan associations, credit unions and insurance companies) which is subject to examination and supervision by an agency of the United States or any State, or a pension fund approved by the Commissioner for this purpose." (Emphasis added.)

(2) In determining the amount of the direct State loan provided to a student, the educational institutions in Wisconsin (acting as agents of the Higher Educational Aids Board) employ a needs test.

(3) The U.S. Office of Education claims that if Wisconsin wants to guarantee its direct State loans it would have to eliminate the current needs test. The U.S. Office of Education uses the following rule as legal authority for this requirement:

"177.2(a)(1)(viii) Provides that the benefits of the loan insurance program will not be denied any student because of his family income or *lack of need* if his adjusted annual family income at the time the note is executed is less than $15,000, as determined under 177.3." (Emphasis added.)

(4) The Higher Educational Aids Board claims that this provision of the regulations applies to the agreement entered into by the guarantee agency and the federal government and does not have a bearing on a specific lender. The following paragraph of the federal rules which *precedes* the paragraph above is cited as legal authority for the Board's position:

"177.12(a)(1) Except as provided for in 177.13, the interest benefits under insured loan programs shall be available only insofar as the loan to which they relate are covered by an *agreement between the guarantee agency and the Commissioner pursuant to this section*. The Commission may enter into such an agreement if he determines that the loan insurance program of the guarantee program:

(i) . . . (xiv)"

Note that viii is one of the provisions the *guarantee* agency must meet before the Commissioner may enter into an agreement in a particular state.

(5) The Wisconsin Higher Education Corporation, the guarantee agency in Wisconsin, meets all of the provisions of 177.12(a)(1) and has an agreement with the Commissioner to administer a guarantee program in Wisconsin. Specifically, the Wisconsin Higher Education Corporation does not require that lenders participating in the program employ a needs test in determining the amount awarded a given student. The Federal rules and regulations as well as the contractual agreement between the Wisconsin Higher Education Corporation *are silent* on the question of what criteria a participating lender may or may not use in determining who shall receive a loan and the amount of the loan. Indeed, the U.S. Office of Education concedes that it is the lender and the lender alone who can set the criteria.

(6) Thus the position of the Higher Educational Aids Board is that the Wisconsin guarantees agency, Wisconsin Higher Education Corporation, fully meets the requirements set forth in the rules and regulations; that the State of Wisconsin direct loan program administered by the Higher Educational Aids Board, meets the federal definition of eligible lender; that therefore the direct loan program is eligible to be a participating lender under the Wisconsin guaranteed loan program administered by the Wisconsin Higher Education Corporation; and that as a participating lender the Higher Educational Aids Board is free to set whatever criteria it chooses, including financial need, to determine who shall receive a direct State loan and the amount of the loan.

(7) The position of the U.S. Office of Education is that there is no legal difference between the State of Wisconsin Higher Educational Aids Board (the lender) and the Wisconsin Higher Education Corporation (the guarantor) and consequently, the no needs test provision applies to the State direct loan program.

(8) The position of the Higher Educational Aids Board is that the two organizational bodies are indeed separate and distinct bodies:

(a) The State of Wisconsin Higher Educational Aids Board is a State agency and has been created under Chapter 39 of the Wisconsin Statutes. Specific reference to creation of the Higher Educational Aids Board as a State Agency is 39.26 Wisconsin Statutes. Further, specific authority for Higher Educational Aids Board to administer a direct loan program in Wisconsin is 39.32 Wisconsin Statutes.

(b) The Wisconsin Higher Education Corporation, on the other hand, is a non-stock, non-profit corporation incorporated under Chapter 181 of the Wisconsin statutes. The Corporation was created on August 18, 1967 and the Articles of Incorporation were accepted by the Secretary of State on that same date and also registered with the Register of Deeds Office, Dane County, Wisconsin.

(9) The position of the U.S. Office of Education is that it is not willing to accept the legal distinction pointing out that the membership of the Wisconsin Higher Education Corporation consists of the members and executive secretary of the Wisconsin Higher Educational Aids Board.

RESOLUTION OF THE NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS, ADOPTED MAY 1, 1971

Whereas six states have developed direct student loan programs and several states are considering developing state direct loan programs; and

Whereas the purpose of a state direct loan program generally is to serve types of students often not served by guaranteed loan programs, particularly disadvantaged and minority group students; and

Whereas the present federal law discriminates against state direct loan programs by not providing reinsurance and incentive allowance provisions; and

Whereas currently proposed secondary market legislation would exclude participation by state direct loan programs.

Now therefore be it resolved that the Congress be urged to enact amendments to the present law which would insure full participation by state direct student loan programs in all provisions of the federal law including reinsurance, incentive allowance, and secondary market participation.

UNIVERSITY OF THE STATE OF NEW YORK,
STATE EDUCATION DEPARTMENT,
Albany, N.Y., April 22, 1971.

Mr. HARRY HOGAN,
Counsel, House Special Subcommittee on Education,
Washington, D.C.

DEAR MR. HOGAN: It is my understanding that your Subcommittee will be considering the future authorizations base of the National Defense Education Act, Title VI, Foreign Language and Area Studies. I would very much like to respectfully submit, therefore, the attached statement for the record. I do hope that this is possible. At any rate, I thought that this statement would be of interest to you. It has been forwarded as well to the offices of Mrs. Edith Green, Mr. Albert Quie, Mr. James Scheuer and Mr. John Brademas.

Your assistance in this matter would be very much appreciated.

Sincerely,

WARD MOREHOUSE, *Director.*

STATEMENT OF WARD MOREHOUSE, DIRECTOR, CENTER FOR INTERNATIONAL PROGRAMS AND COMPARATIVE STUDIES, STATE EDUCATION DEPARTMENT, UNIVERSITY OF THE STATE OF NEW YORK, AND PRESIDENT, NATIONAL COUNCIL OF ASSOCIATIONS FOR INTERNATIONAL STUDIES

My name is Ward Morehouse. I am the Director of the Center for International Programs and Comparative Studies of the New York State Education Department. I also currently serve as President of the National Council of Associations for International Studies, an organization composed of a dozen regional associations of colleges representing over 400 institutions from Vermont to Hawaii. The views I am expressing in this statement reflect as well the concerns, needs, and objectives of the State University of New York.

I appreciate very much this opportunity to submit a statement in support of legislation which will strengthen the international dimensions of American higher education. I should like first to comment on important aspects of international education which I believe should be reflected in the higher education legislation now under consideration by this Committee. These comments will be followed by some observations on changing environment for public policy toward international education in the United States. My comments rest on the assumption, for which I believe, there is persuasive evidence, that American society in the decades ahead will become more, not less, interdependent with the rest of the world.

The principal legislative authority now being used by the federal government to support the strengthening of internationl dimensions of American higher education is Title VI of the National Defense Education Act, which provides support to colleges and universities in programs of training in critical languages and related area studies deemed to be important to our national security. This legislative authority has been in existence in substantially the same form for over a decade and has made vital contributions to enlarging our national capability for dealing more effectively with the rest of the world.

The need for such a national capability continues, and in my judgment will increase in the coming decades, but the character of the capability required is changing. Programs designed to enhance this capability must also change. This has been wisely recognized by the present Administration in the plans which it is developing for the coming fiscal year. I quote from the justification statement submitted by the Office of Education in support of fiscal year 1972 appropriations for NDEA Title VI:

"Despite the limitations of funding constraints, some important program innovations are included within the level proposed. Six new graduate programs are planned at an average cost of $40,000 for a total of $240,000. These graduate programs of excellence will focus on such new and critical areas as contemporary Europe, East-West relations, international trade and business, and comparative urban and environmental problems. Ten new undergraduate programs are envisaged at an average cost of $30,000 for a total of $300,000. These innovative undergraduate programs will demonstrate new approaches to undergraduate education in world affairs and international studies, with particular attention to teacher education."

Congress also recognized the need for change. The higher education bill introduced by Mrs. Green, Mr. Scheuer, and others (H.R. 7248) proposes, in addition to a five-year extension of NDEA Title VI, a five-year extension of the as yet unfunded International Education Act, which would make possible important changes and improvements in federal government support of international studies in American higher education if the IEA were to be funded. I will not address myself to the specifics of either this bill or the Administration bill (H.R. 5191), which provides for a two-year extension of NDEA Title VI and which would also make possible, in light of the passage quoted from the Office of Education justification statement for the fiscal year 1972 NDEA Title VI appropriation, some changes in program emphasis. More significant in my view than the specific details of these alternative pieces of legislation, all of which have merits, are the emphases which should be given in the future to federal programs related to this important but still very much neglected aspect of American higher education. I should like to mention three emphases which I believe should be reflected in legislation emerging from this Committee.

The first is the need for recognition of the importance of *undergraduate* programs in international studies. Undergraduate programs are vital in providing an essential foundation for more advanced studies which will help to enhance our national capability for dealing with the rest of the world. Past experience suggests, furthermore, that undergraduate institutions often show greater ability to bring about important innovations in academic programs which reflect the changing environment in which international studies are being undertaken. Beyond that, undergraduate programs provide an absolutely vital dimension to our total national effort in this field by enlarging the base of enlightened citizen understanding of the relationship of our society to the rest of the world. There are many more citizens who have only an undergraduate degree than are trained to the Ph.D level. Without such understanding and consequent support of constructive public policies reflecting this interdependence, I believe that many of the qualities of American life which we most cherish will be increasingly difficult to maintain in the coming decades with a rapidly growing human population, increasing disparities in wealth throughout the world, and growing impact of human civilization on our natural environment.

The second concerns the need for strengthening programs at both the undergraduate and graduate level which deal with critical problems confronting human society in the second half of the twentieth century. Population, food, peace, and the quality of the environment are all global concerns which vitally affect the future of American society. We need to strengthen our capacity as a nation for dealing with these and other critical problems in the decades ahead.

It is important to emphasize in this connection that the basic purpose toward which NDEA Title VI has been directed continues to represent an important and vital *national* need served by our institutions of higher education, and the emphases which I am suggesting do not imply any diminished significance to our continuing requirements for highly trained professional manpower with knowledge of critical languages and areas of the world. The far greater expense of training such manpower, furthermore, continues to justify in my judgment, a federal contribution to programs in our colleges and universities which train this manpower.

The third point which I wish to emphasize and which I believe should increasingly be reflected in federal programs to strengthen international studies in American higher education is inter-institutional cooperation. At a time when all our colleges and universities are experiencing grave financial difficulties, efforts to share scarce resources, thereby enabling groups of institutions to provide opportunities for their faculty and students which they would not be able to do singly, merit fullest possible support. The National Council of Associations for International Studies, reflects at the national level the principle of cooperation and sharing scarce resources which has gathered increasing momentum as a means of strengthening the international dimensions of higher education at the regional level. This important approach to strengthening international dimensions of our institutions of higher education should be given increasing emphasis in the years immediately ahead.

This leads to a consideration of the changing environment for public policy toward international education in the 1970's. The political, economic, and social environment for international education has been changing in recent years and appears likely to continue to change along certain basic lines. Here are some factors in this changing environment:

(1) The United States relationship with the rest of the world in the 1970's and beyond appears likely to be characterized by continuing political and military disengagement and by growing economic interdependence. To manage our relationships in this environment will require more advanced skills and more general understanding of the position of American society in its global context throughout our society.

(2) The gap between the advantaged and disadvantaged which has generated such social tension in American society in recent years, will grow at an accelerating rate over the next thirty years on a world scale. By the year 2000, the gap in per capita income between the United States and India will have almost doubled, even though India will experience a more rapid growth rate than the United States. By the end of the century, America, along with Europe and Japan, will constitute golden ghettoes in a worldwide slum of grinding poverty. As we have been pondering the educational implications of social tension generated by a similar gap in our own society in the past few years, we surely need to consider what the educational consequences will be for a similar gap, much wider and on a much broader scale, in the future.

(3) In the next thirty years (which is the operative time frame for educating today's students), the population of the world will double. Never before in human history has the world experienced population growth of such absolute magnitude. Most of this increase will occur in the poor countries of the Third World so that by the end of this century, four out of five human beings will live in Asia, Africa, and Latin America, areas of the world about which we now study least in our schools and colleges.

(4) The most urgent problems facing U.S. society in 1971—urban growth and decay, environmental population, the place of cultural and racial minorities in our social system—all have a worldwide context and are being experienced by other societies as well as our own. Some will certainly depend for their solution on action which transcends national boundaries; environmental pollution is an

obvious illustration. We have much to learn from others who have been struggling with the same kinds of problems. And we have much to gain from exploring together with others ways and means of dealing with these problems.

There remains the critically important question which is implicit in the issues which I have been discussing—namely, the relationship of "categorical" and "non-categorical" aid to our colleges and universities by the federal government. In my opinion, the two are not mutually exclusive but go hand in hand. I believe, furthermore, that this position has been reflected in a variety of ways by the Congress and recent administrations, including the present one.

Formal education at whatever level is supported by society because it serves goals and purposes which society recognized as important. A recent case in point is the Environmental Education Act, which reflects the concern of both the present Administration and the Congress, as well as the American people, with the deteriorating quality of our environment and the need to educate future generations of Americans about the importance of protecting that environment. Categorical programs of support to education like the Environmental Education Act and the legislation to strengthen international aspects of American educations will always be needed in order that society may give support to aspects of formal education which serve critically important goals of society. At the same time it is also clear that our institutions of higher education, whether publicly or privately controlled, require increasing public support, whether at the state or national level, of a non-categorical character. The Higher Education General Assistance Act of 1971 (H.R. 5193), introduced by Mr. Quie and others, would meet this need, as would the provisions of Title VIII of the bill introduced by Mrs. Green (H.R. 7248). The two forms of aid should be regarded as complementary and mutually reinforcing.

We need to recognize, furthermore, that the categorical characteristics of federal programs in many different fields exist at different levels. To the proponents of general revenue-sharing with the states, even programs which seek to aid education "non-categorically" are "categorical" in character. The same observation can be made with respect to federal programs of "non-categorical" assistance to higher education or to elementary and secondary education, which again reflect a "categorical" determination by the federal government of priorities to be attached to different levels of formal education in our society.

I submit that the critical issue is not whether a particular program is "categorical" or "non-categorical", for this is a relative proposition. Rather it is whether or not the program serves a vital need of society. The matter was succinctly expressed by Daniel P. Moynihan, former Counsellor to the President, in his letter of April 27, 1970, to President Nathan Pusey of Harvard, in which, writing on behalf of the President and indicating that the present Administration was reversing itself and would continue to support NDEA Title VI, he stated:

"It would be difficult to find an area in which pursuit of disinterested scholarship was more directly a matter of national interest than here."

Let me in conclusion comment on the proposed National Foundation for Higher Education (H.R. 5191). While I recognize that the Foundation would be broadly concerned with the full spectrum of issues confronting our colleges and universities, I hope very much that, if the Foundation should be established, it would be encouraged, perhaps through inclusion of language to the effect by this Committee, to give appropriate attention to innovative programs in international studies as a critical but neglected dimension of American higher education.

I hope very much that this Committee will shape, from the bills now before it, legislation which will reflect the need to strengthen aspects of international studies of American higher education which have been discussed in this statement. Thank you for the opportunity to submit my views to the Committee.

LEES JUNIOR COLLEGE,
Jackson, Ky., April 26, 1971.

Hon. EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: The testimony which I hereby submit is the personal testimony of one man. I am Troy R. Eslinger, president of Lees Junior College, Jackson, Kentucky. However, I also speak as a member of the Executive Committee of the National Council of Independent Junior Colleges, and expressly at the request of the President of that Council, Dr. William Irvine, president of Vermont College, Montpelier, Vermont. There are now over 100 private junior colleges enrolled as members of this Council, and while I do not speak as the charged representative of these colleges, I do nevertheless speak on the behalf of these and all other private junior colleges throughout the United States, who play a very important role in higher education in this land.

These private junior colleges, spread throughout the country, but mainly concentrated in the central, northeast and southeast sections of the country, have performed yeoman service throughout many years. Many, like Lees Junior College, have been meeting the needs of young people for from 75 to 100 years. Frequently predating the advent of public schools, especially in isolated regions of the country, many have been in the position of offering virtually the sole opportunity for educational experience to a given region. Institutions such as Alice Lloyd College, Sue Bennett College, and Lees, here in the Appalachian region of eastern Kentucky, have provided otherwise unavailable opportunities for development and leadership to vast numbers of people from this relatively isolated region.

Others have been developed and have continued down through the decades, under special and unique mandates for the accomplishment of specifically designed purposes and objectives which add immeasurably to the total spectrum of higher education.

One of the great values of institutions such as these lies in their flexibility, and in the high degree of responsiveness which they show to the special needs of the communities in which they operate. My own institution—and I am sure there are many others—was serving the role of the community college, providing stepping stones from poverty to autonomy and financial independence for hundreds of citizens young and old, long before the term "community college" became popular. It is very important to the nation, and to higher education in particular, that the concept and practice of *pluralism* in education be maintained. There surely must always be, in a country such as ours, the need for institutions which have the flexibility to be innovative, person-oriented, with agility to change directions when such needs seem indicated by the changing times.

I have read the testimony which was submitted by the American Council on Education, the American Association of Junior Colleges, et al., and I shall therefore not concern myself to repeat the various urgings which they entered, except to say that I concur in them. They have stated the case well, and I hope that the members of Congress will give serious heed to their statements.

But since institutions, like people, have distinctive personalities, it may help for me to say something of the distinct personality of Lees Junior College, as illustrative of the overall value of the private institution in the context of the higher educational effort. This institution, with a history stretching back to 1883, has throughout that history served a geographically-isolated and culturally-different area in the mountains of eastern Kentucky. A predominance of the students in any given year represent first generation college effort from their families. Through the years, literally millions of dollars from private individuals, church groups, corporations, and foundations have been channeled through this college into the lives of the people of the area bringing educational opportunities that were not being provided by the tax supported institutions.

But as the costs of instruction have mounted higher and higher, the level or private support has become a declining percentage of the total operating budgets. Lees College, from the very beginning of the Higher Education Act of 1965, Title III For Strengthening Developing Institutions, has demonstrated that the teamwork of private and federal support has tremendous potential. With aggressiveness and imaginativeness, the college has moved courageously into such programs as Cooperative Education, the Special Services to Disadvantaged Students, as well as the full gamut of student financial and under NDSL, College Work Study, and Educational Opportunity Grants. Indeed, at least 75% of our students could not attend college at all without such assistance.

Lees and Alice Lloyd College, both serving the Appalachian area of eastern Kentucky, and members of the Kentucky Junior College Consortium for Title III Programs, have provided exemplary leadership in both the private and public community college sectors of the state of Kentucky. More recently, Lees College has been awarded a major curriculum grant from the National Endowment For The Humanities, as a result of many years of planning and reaching out for ideas that would enable the institution to serve more effectively the region in which it is located. This grant, in the amount of $250,000 initially (with a possible supplemental grant of an additional $100,000), will enable the college to restructure its entire curriculum around the theme "Man And His Total Environment, Focus On Southern Appalachia." The presence on campus, within the faculty, of young, creative, aggressive teachers—a number of whom during the past four or five years have been National Teaching Fellows, under the Title III programs—has been one of the most significant dimensions of these developments.

Another program, of community service and outreach known as ALCOR, is one that is jointly financed by private and federal funds. Alice Lloyd College, the initiating and leading institution for this program, has expanded it to include not only Lees Junior College, but two of the regional state community colleges and two four-year private colleges in the area. Over two hundred students will be involved during the summer ahead, working in as many as 75 to 80 centers in isolated parts of the hill country, bringing a variety of services to these isolated communities. There will be recreational activities, community development activities, health screening activities (through the services of SAMA—Student American Medical Association representatives, and student nurses from all over the country). This program is funded by private foundation and corporation support, as well as the Appalachian Regional Commission. Another evidence of teamwork between federal and private sources.

The point that I am seeking to make is that these institutions could not possibly carry on the level of work which they are doing without the support of federal funds. By the same token, their flexibility as private institutions, having the type of dedicated faculty and staff which they are able to attract by *virtue* of their uniqueness, puts them in a separate class from the purely public institution. American altruism is thus provided a very distinctive channel through which to flow, in institutions such as those I have been describing. But the magnitude of the task which we have set for ourselves is such that the joining of federal support can dramatically augment the services which these institutions offer.

It seems unquestionably important, therefore, that in the federal legislation which is under consideration at this time, provisions be made not only to *continue the well established components of federal aid to education*—such as construction funds, library funds, instructional equipment funds, Developing Institutions funds—but that the *newer* concepts of direct assistance to institutions, both private and public, be added to the effort. It is the people of our country at large who stand to profit most from a stepped-up program of educational opportunities. The federal government surely plays a key role in seeing that multiple options in higher education are available to our citizens and that the means shall exist for each member of society to follow the option best suited to meet his individual needs, and thus to serve more effectively our country itself.

None of the private institutions expect to relent in their efforts to generate continuing private support. We do not presume to turn over to the federal government our private responsibilities. Nor do I see any conflict of interest here, whatsoever—rather an enhancement of the effort will surely continue to result as federal and private sources join hands.

The Junior College, both private and public, stand at the grassroots level in the spectrum of higher education. Rather than diminishing, their role is increasing in importance especially in the years immediately ahead. I therefore have no hesitancy in urging the members of Congress to take a bold step forward in the funding of expanded educational programs. To falter at this point is almost to deny the efficacy of the expressed philosophy that the American citizen should be given the opportunity to rise to his highest level of achievement.

Thank you for allowing me this privilege of expressing my views on these vital issues.

Sincerely yours,

TROY R. ESLINGER, *President.*

[The Courier-Journal & Times, Louisville, Ky., Apr. 25, 1971]

IF FINANCING AVAILABLE—STUDENTS' PLAN IS APPROVED TO OPERATE 79 HEALTH CENTERS IN MOUNTAIN AREA

(By David V. Hawpe)

LEXINGTON, KY.—What do you do when 1,200 medical students and 6,000 student nurses want to come work for you? If you are the board of directors of ALCOR, Inc., you make a plan.

An ambitious plan was framed yesterday at Spindletop Research, Inc., by people like these:

Nutritionist Robert Choate, who has nagged at the cereal companies in a nationally publicized debate over the value of their products; Warren Stumbo, president of the University of Kentucky chapter of the Student American Medical Association (SAMA), who has nagged at the UK Medical Center over the quality of its medical outreach programs; Dr. Marvin Jolly, outspoken director of UK Hazard Community College, and others.

The board approved a plan to operate 79 ALCOR centers this summer in 22 Kentucky and two Tennessee counties—if financing is available for that many.

"You might call this an indigenous effort," said Benny Ray Bailey, vice president of ALCOR. "Then you might call it Appalachian people helping Appalachian people."

The project, which stands for Alice Lloyd College Outreach Reserves, began two summers ago with students from Alice Lloyd, Lees Junior College and UK Southeast Community College working in isolated hollows during vacation months.

INVOLVES THREE MORE COLLEGES

It has grown into an effort involving three more mountain schools—UK Hazard Community College, Union College and Cumberland College—through which several hundred students spend their summers in remote valleys, conducting programs of recreation, education, health, nutrition and community development.

Stumbo outlined a concept for health teams which he hopes to introduce in this year's ALCOR plan. (Stumbo directs the national SAMA's Appalachian project, which operates health components in ALCOR centers.)

Stumbo told other directors that studies last year in the ALCOR centers indicated Appalachian children have problems quite different from those found among a similar number of urban children.

"These kids we saw last year had an 'average' of over two decaying teeth," he noted. "And their second and third most significant problems were parasites and anemia. Nationally, children's health problems rank like this—accidents other than auto accidents, congenital diseases, automobile accidents. You can see you're dealing with a different set of priorities in remote areas of Appalachia."

This summer, ALCOR President Raymond LeRoux hopes to double the number of student nurses from 25 to 50, and to add 25 senior medical students to the program.

"The exquisitely difficult problem is choosing the limited number that we are able to place in our program . . . last year we had about 140 student health professionals assigned to ALCOR," Stumbo noted.

"We are not talking about practicing medicine—we are talking about working with the established health professionals in the area," he added. "We would like to do the kind of medical screening and referral that will provide the most valuable information for the amount of money and time expended."

Alice Lloyd College President Will Hays explained that the students who daily man the centers will provide an entree for health teams that will do the screening.

APPLICATIONS FROM 65 MED SCHOOLS

Stumbo wants health teams composed of senior students in the field of medicine, nursing, dentistry, pharmacy and special education.

"Can you find the manpower?" Hays asked.

"We had over 6,000 applications from nurses throughout the nation and over 1,200 applications from senior health students from 65 of the 105 medical schools in the United States," LeRoux replied.

Stumbo said one byproduct of the program is recruitment of young health professionals for permanent service in Appalachia. In responding to questionnaires, health science students who participated in last year's program indicated in impressive numbers (65 percent) that they would like to spend part, or all, of their professional lives in Appalachia.

"EYES AND EARS OF PRACTITIONERS"

"In this program," Stumbo said, "We want our people to be the eyes and ears of private practitioners who cannot conceivably reach into all of the remote areas themselves."

ALCOR generally has been recognized by medical men and civic leaders in Eastern Kentucky as a spectacularly successful effort to combine educational, social and medical resources with student enthusiasms and sympathies.

LeRoux told board members yesterday that several major manufacturers have donated recreational supplies to augment those that ALCOR itself will purchase.

He announced a special remedial reading program for this summer's project, operated with the aid of specialists.

A fund of $150 is anticipated for each center to underwrite diet supplements and other innovational efforts in nutrition. And another $150 is slated for community development at each center.

The grand result of the kind of planning done yesterday is renewal in the area served by each center. Board members were shown last week that such renewal is possible.

They were taken to Dry Creek in Knott County—an isolated section reached through a muddy route that winds along the curving base of the hollow. The route chatters over uneven plank bridges and splashes through dirty water. The mountains converge toward the road in a sinister narrowing.

But suddenly you are there. And a neatly trimmed park—which would more than do justice to any city neighborhood—stretches across the bottom land and up the hill slope. Here and there local people huddle under sturdy rain shelters, the roofs of which sweat silver droplets in long rows. There is a basketball court mottled with the figures of neighborhood boys in the mist.

"CENTER BROUGHT TOGETHERNESS OUT"

"This is the kind of renewal that we are talking about," Bailey said. "This sense of community was here all the time, but the ALCOR center that operated here in the summer brought that togetherness out in people. The students who lived and worked here achieved a very difficult thing—they earned the confidence of the people and together they built this park. They built it themselves. Paid for it themselves. It is an expression of their strength.

"This program proves that Appalachian youth can effectively and constructively become involved in what one bureaucrat I know likes to call the orderly development process.

"I hope that the governmental units and the corporate executives that have supported us in the past do not destroy the hope of the young people and the people of this hollow, and the people of Appalachia broadly. This is change within the system."

Projects such as ALCOR exist from year to year, searching for funds wherever they can. Already this year, a private foundation has pledged money that will assure at least a minimal program. Other public and private financial sources are in the process of allocating their funds for this summer, and ALCOR is lobbying hard to win some of that support.

"We can reach 14,000 or 16,000 people this summer, with the right kind of backing," Bailey said. "We have reached thousands on much smaller budgets the first two years."

NATIONAL UNIVERSITY EXTENSION ASSOCIATION,
Washington, D.C., March 30, 1971.

Hon. EDITH GREEN,
Special Subcommittee on Education, Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR MRS. GREEN: In accordance with our conversation with Harry Hogan, we are submitting the attached statement on Title I of the Higher Education Act in lieu of an appearance before the Special Subcommittee on Education.

Inasmuch as the statement contains significant and substantial differences from the statement in the joint testimony by higher education associations, we hope that if hearings are extended into the post-Easter recess period, we will be given an opportunity to explain our proposed changes in Title I to the committee and respond to whatever questions you might have.

We would also be happy to work with you and the committee staff regarding details or additional information regarding our recommendations. We offer our full cooperation in any way that it would be helpful to you and the committee. The staffs of the associations supporting this statement also are available for assistance if necessary.

Sincerely yours,

ROBERT J. PITCHELL, *Executive Director.*

STATEMENT OF ROBERT J. PITCHELL, EXECUTIVE DIRECTOR, NATIONAL UNIVERSITY EXTENSION ASSOCIATION

Madam Chairman and members of the committee, this statement is presented for the record on behalf of the following associations who have a vital interest in Title I of the Higher Education Act as it relates to continuing education and community service programs at institutions of higher education.

American Association of Junior Colleges.
Association of University Evening Colleges.
National Association for Equal Opportunity in Higher Education.
National School Boards Association.
National University Extension Association.

Madam Chairman, we appreciate very much your courtesy in providing the opportunity to present our views to the committee on extension of this legislation.

The members of this committee have long supported Title I. We are deeply appreciative of that support.

In a sense, Title I is at a crossroads. Everyone agrees that the program has suffered from malnutrition and, as a result, impact. Three factors have contributed to this situation. First, not enough institutions have been involved. An average of 627 institutions have participated each year since the program began in 1966 (Appendix Table I), or about 25 percent of a total of approximately 2,500 institutions of higher education in the United States. Not all institutions of higher education in the United States have capabilities to carry out Title I programs, but far more have such capabilities than we had previously thought. For example, comprehensive surveys were made of institutions of higher education in Pennsylvania in 1968 and 1969 (reports attached). These surveys revealed that in 1968, 89 out of a total of 133 reporting institutions (67 percent) carried out continuing education programs in the state on their own. In 1970, this proportion increased to 79 percent or 115 institutions with such capabilities out of 146 existing institutions. Contrast this with the average of 20 Pennsylvania institutions which participated in Title I programs during these years.

Other data support the Pennsylvania experience. Out of a total of 1,071 community colleges in the country, 852 (or 80 percent) report ongoing continuing education and community service capabilities. Similarly, all 69 campuses of the State University of New York have ongoing continuing education programs, and the same is true of other major state systems and multi-campus universities.

This underutilization of available institutional resources has reduced the ability of Title I to make the impact expected of it by the Congress. Appropriations committees have often denied adequate funding for the program because it was claimed that the program was not making the expected impact, yet its impact was limited by appropriations at a level which resulted in the serious underutilization of available institutional resources. A way out of this impasse must be found.

A second reason why Title I has not provided a durable system for satisfying community service needs arises from the fact that the current system requires the submission of annual project proposals to designated state agencies. No institution has any assurance of continuity from year to year, nor do the divisions within any institution have such assurance. For example, Institution X may get a grant this year, but not next year; or within Institution X, the political science department may receive a grant this year; next year it may be the sociology department or the extension division. As a result, no substantial impact is made upon building continuing institution-wide competence and commitment to community service activities.

This lack of administrative and program continuity seriously diminishes both the efficiency and effectiveness of institutional impact upon community problems. Compare this system with the highly successful agricultural extension service which has been able to professionalize its staff and provide unbroken service to meet the needs of agriculture and agribusiness for more than 55 years. A major reason for that record is the unbroken annual funding of the same institutions to plan and carry out programs to meet changing needs.

A third factor in the current situation is the lack of a specific mandate in the statute for the states and participating institutions of higher education to attack community problems of high national priority. The program was designed to assist in the solution of community problems as perceived by local community leaders and institutions of higher education. In most cases, the system, as intended, has identified a series of local problems and solutions which were tailored to individual community needs. Under the current system, therefore, there has been little or no chance that all states would identify and attack the same problems of national concern in a coordinated way. As a result, it has also been extremely difficult to compile meaningful data on accomplishments which reflected Congressional concerns about national problems and program priorities.

Madam Chairman and members of the committee, we believe something can be done to correct these deficiencies. The associations supporting this statement would like to suggest for your consideration several changes in the structure of the program which will not only make it more reportable, but, more importantly will also better enable it to come to grips with priority state and national problems which are of most concern to Congress and the people of the states.

1. EXPAND THE PROGRAM TO INCORPORATE UNUSED INSTITUTIONAL CAPABILITIES

The first step must be to involve more institutions of higher education in the program. This will not only bring more resources to bear on community problem-solving, but will also provide broader geographical coverage by local institutions and their own communities. This cannot be done by thinning out current appropriations among two or three times the number of participating institutions. (The average Title I project grant since 1966 has been only $13,815. Appendix Table I) Nor can it be done through the annual project proposal method. Participating institutions must have minimum basic support in predictable amounts each year in order to maintain administrative continuity in an efficient manner. We, therefore, propose that each participating institution be eligible to receive a basic grant of $25,000 annually. This should not be an institutional or block grant to be spent as the institution desires. Rather, the basic grant should have the following conditions and requirements:

(*a*) It should be awarded to institutions which have a commitment to continuing education and community service. That commitment should be measured by a 30 percent matching requirement along with a maintenance of effort criterion.

(*b*) It should be awarded to those institutions which agree to participate in state and national priority programs as identified in the state plan (see below). This requirement would be crucial to the success of the proposed Title I program.

In other words, the basic grant program would assure continuity of funding to participating institutions without the inefficiencies and inadequacies of annual project proposals or the uncertainty of the proposal approval process.

At the same time priority programs as determined by the Congress or the state plan would have institutional resources available for implementation without additional effort.

2. IDENTIFICATION OF STATE AND NATIONAL PRIORITIES

As a second step, in order for the system to work, the State plan should involve two program elements which have not been specifically required heretofore. Each state plan should have to identify at least one state priority which is sufficiently broad in scope to require institutional involvement throughout the state. The state plan should also have to include national priorities which are determined by Congress, or with its approval, the Office of Education, as administering agency.

If, for example, Congress or the Office of Education would determine that drug abuse and environmental education are priority concerns next year for extension and continuing education at institutions of higher education (as they actually did in separate legislation passed last year), each state would have to incorporate drug and environmental programs in its state plan. And if the State of California were to identify community planning for floods and earthquakes as the top state priority, it too would become part of the California state plan. Each of California's participating institutions' $25,000 basic grant would have to be used to carry out its share of state and national priorities in its state plan. Additional funds would be available through the existing process for institutions having greater outreach or with capabilities for special programs other than state and national priorities.

If these changes are adopted, Title I would be better able to attack previously identified and planned program priorities and be able to attack them on statewide and national bases. Its achievement, or lack thereof, would be reportable in more meaningful ways than heretofore.

The authorization for the basic grant program should either be open-ended or in the neighborhood of $50 million. In the first or second year we estimate that approximately 1,500 institutions would participate at a cost of $37,500,000. If eventually 80 percent of the 2,500 institutions of higher education in the country were to participate, the annual cost of the basic grant program would be $50 million.

3. SPECIAL PLANNING FUNDS

The crucial role of the State plan in carrying out Title I priority programs leads to our third recommended change; the need for an additional investment in preparing the plans. In the larger states—in which as many as 100 or more institutions may participate—staff time for creation of a viable state plan is in the order of man/years rather than man/weeks or man/months under the current system. Plans would probably have to be regionalized in New York, California and other large states and travel costs would be involved for institutional representatives. For these reasons, we propose that $5,000,000 be allocated annually for State planning (without matching requirements)—the funds to be divided in accordance with the current formula for all program funds, i.e., the larger population states would get proportionally larger planning funds. Appendix Table II provides the breakdown per state for planning funds using a distribution formula similar to the one currently used. States that are able to save planning funds should be authorized to use them for program purposes.

4. NATIONAL PROGRAM PRIORITIES

Our fourth recommendation concerns national program priorities. Congress, with its greater sensitivity to grass-roots needs, is in the best position to determine national program priorities. However, we would like to suggest several for your consideration:

(a) Women's programs

We are all aware that the awakening of women's concerns for equality has raised as many questions as it has resolved. We all need exposure to these problems through community-based educational programs. A $5 million Title I program would enable institutions in every state to begin this dialogue.

(b) Program for inmates of correctional institutions

From Chief Justice to police officer, from social worker to warden, from university administrator to political leader, the level of consciousness and concern for inmates of correctional institutions has magnified recently. Many institutions of higher education have conducted correspondence and extension courses for inmates in the past, but much remains to be done. A Title I program funded at the $5 million level would not only involve more local institutions but enable states to cover all correctional institutions in a systematic way.

(*c*) *Counseling part-time students in educational and occupational objectives*

One of the greatest concerns of continuing education administrators today is the lack of adequate counseling in educational and occupational objectives for part-time students. Funds simply are not available for this assistance at a time when the part-time student is coming into his own, not only in Washington but at state and local levels. This committee and the Congress could make a major contribution to the part-time student by authorizing $5 million to initiate this program through Title I.

(*d*) *Special programs for large metropolitan areas*

The funds devoted to projects in large urban areas until now have been wholly inadequate to enable the institutions of higher education to begin to make a dent in the needs of those areas. We recommend that $5 million be earmarked for use in standard metropolitan areas, especially for use by consortia of institutions in those areas.

We believe that these categorical funds should not be subject to matching requirements because it would be an unreasonable burden on Title I institutions. Of the sixteen major continuing education programs newly enacted or extended by the last Congress, only one—the Law Enforcement Program—required a ten percent match. The Arts and Humanities Program has some Federal matching for private contributions and some matching is urged but not required in their public programs. The Corporation for Public Broadcasting also has Federal matching for some private contributions. But all of the other categorical programs have 100 percent Federal funding.

Distribution of categorical funds should be made in accordance with a separate formula for each category. Madam Chairman, we would be happy to work with you and your staff to provide suggestions on specific formulas if you desire.

5. SPECIAL STATE AND LOCAL NEEDS

In addition to the programs proposed above, we recommend that a $10 million authorization be maintained for special state and local projects with a 30 percent local matching requirement. This authorization would in effect continue the current program. It would allow the strengths of the current program to be realized while the amendments proposed above are adding new strengths.

6. SPECIAL ASSISTANCE FOR PART-TIME STUDENTS

As a final recommendation we refer to the provisions of various bills on student assistance. At the present time, student assistance programs apply only to students in full-time attendance. A large number of part-time students are part-time because of the necessity to earn a living for themselves or their families. We need only apply the same eligibility tests to part-time as we do to full-time students to end this unjustified discrimination.

We believe that these changes will give Congress an opportunity to create new and significant dimensions for continuing education and community service programs in this country. The changes we have recommended for Title I will enable us to involve public and private, large and small institutions in an attack on our common problems—an attack will be made *not in isolated geographic areas* or for *limited clientele groups* but for the people in each *community, county* and *Congressional district* where need exists.

APPENDIX TABLE 1

PROJECT GRANT SIZE, 1966-70—COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAM

[Title I, Higher Education Act of 1965

	Fiscal year—				
	1966	1967	1968	1969	1970
Federal dollars obligated to projects	$8, 352, 600	$8, 772, 696	$8, 778, 085	$8, 503, 991	$8, 578, 624
Number of projects conducted	548	602	721	653	610
Average amount of Federal dollars per project	$15, 242	$14, 572	$12, 175	$13, 023	$14, 063

Note: Average amount of Federal dollars per project, 1966-70=$13,815.

Appendix Table II

Table of State allotment: $5 million by formula (totals)*

1. Alabama	$92, 563
2. Alaska	53, 260
3. Arizona	69, 231
4. Arkansas	73, 699
5. California	274, 696
6. Colorado	73, 797
7. Connecticut	84, 554
8. Delaware	56, 141
9. District of Columbia	59, 792
10. Florida	120, 768
11. Georgia	103, 613
12. Hawaii	58, 669
13. Idaho	58, 462
14. Illinois	179, 924
15. Indiana	109, 742
16. Iowa	83, 675
17. Kansas	77, 447
18. Kentucky	88, 742
19. Louisiana	93, 467
20. Maine	62, 039
21. Maryland	93, 149
22. Massachusetts	115, 457
23. Michigan	151, 548
24. Minnesota	93, 491
25. Mississippi	78, 193
26. Missouri	104, 846
27. Montana	58, 584
28. Nebraska	67, 814
29. Nevada	55, 299
30. New Hampshire	58, 217
31. New Jersey	132, 794
32. New Mexico	62, 381
33. New York	271, 070
34. North Carolina	110, 255
35. North Dakota	57, 961
36. Ohio	175, 040
37. Oklahoma	79, 889
38. Oregon	73, 663
39. Pennsylvania	191, 426
40. Rhode Island	60, 879
41. South Carolina	81, 135
42. South Dakota	58, 376
43. Tennessee	97, 007
44. Texas	179, 314
45. Utah	62, 136
46. Vermont	54, 933
47. Virginia	103, 967
48. Washington	86, 299
49. West Virginia	72, 161
50. Wisconsin	100, 548
51. Wyoming	54, 029
52. Guam	13, 428
53. Puerto Rico	44, 648
54. Virgin Islands	13, 025
55. American Samoa	12, 757

***Formula consists of a basic amount to 50 States and District of Columbia of $50,000 and $12,500 to American Samoa, Guam, Puerto Rico, and the Virgin Islands. The balance is distributed on the basis of total population, July 1, 1966.**

American Association of Junior Colleges,
Washington, D.C., March 30, 1971.

Hon. Edith Green,
Chairman, Special Subcommittee on Education,
Washington, D.C.

Dear Representative Green: The attached statement by President Hays represents the views of AAJC and its Commission on Legislation, and since it was not appropriate that it be presented verbally during today's hearing on higher education, we respectfully ask that it be made a part of the record of this hearing.

Most sincerely,

R. Frank Mensel,
Director of Governmental Affairs.

Statement of William S. Hayes, President of Alice Lloyd College, Pippa Passes, Ky., and Chairman of the Commission on Legislation, American Association of Junior Colleges

Madam chairman and Members of the Subcommittee, the Commission on Legislation of the American Association of Junior Colleges, on which I have served the last four years and which I now chair, has set forth its proposals for higher education legislation in a statement entitled "Toward Universal Opportunity," published just a month ago by the Association. Since much of our discussion here touches upon points made in this statement, I ask your permission to enter the full text of it at this point in the record:

TWO-YEAR COLLEGES: GOALS AND PRIORITIES FOR FEDERAL PROGRAMS[1]

Toward Universal Opportunity

> ". . . *not nearly enough attention is focused on the two-year community colleges so important to the careers of so many young people.*"
> —President Richard M. Nixon, March 19, 1970.

I. THE DEMAND FOR OPPORTUNITY

Quality of life has always been the first concern of this nation and its people. This theme, constant in American history, is richly expressed in the growth and development of a myriad national system of public and private education. It is expressed anew in the phenomenal growth of the junior community colleges—and in the opportunities such colleges provide for students young and old often excluded from higher education in the past.

In the single decade of the 1960's, these colleges tripled in enrollment, passed the milestone of two million students served annually, and exceeded a growth rate of a new campus every week—all in all, an explosion in post-secondary services and benefits without parallel in history. For the 1970–71 academic year, they enroll more than 2.4 million Americans.

As technological and economic growth has quickened, as society has become increasingly urbanized, opportunity in education, particularly post-secondary education, has become a larger and larger key to American concerns and aspirations. Higher education is thus buffeted by increasing stress, while paradoxically, in both need and demand, it is more sought after than it has ever been.

To such stress, a new national response has developed in the last decade—a broad federal commitment to all of education, keyed to such landmarks as the Higher Education Facilities Act, the Vocational Education Act and its amendments, the Elementary and Secondary Education Act, the Higher Education Act, and the Allied Health and Manpower Acts, among others. As needs advance and change, so must the response. Increasingly a national concern, education today requires at all levels an enduring federal interest and an orchestrated, balanced response, drawing upon the programs of many departments. Above all, education today needs a *reliable* federal commitment—firm in extended-funding cycles, geared to carefully measured needs, and high in its capabilities for leadership, flexibility, and innovation.

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[1] Adopted by the AAJC Commission on Legislation December 1970 as their first formal statement of legislative goals.

For the junior community colleges the needs for federal reform, support, and leadership are acute. Aspirations which the junior community colleges today are expected to serve are monumental. Opportunity has become both cause and identity in the junior community college—a standard by which they grow. It has quickened for those it serves, as Dr. Gleazer notes, the hope and the process of self-discovery. Having just tripled their service load in the past decade, the junior community colleges, say the Carnegie Commission and other forecasters, will likely triple it again in the decade ahead. As much as any segment of higher education, these colleges are beset by financial crisis.

Junior community college momentum thus far has been largely local. These colleges have sprung forth in state after state, largely supported by local vision and will, rarely benefiting from either state or federal support to the degree that other segments of higher education have. Local support is, of course, central to both their strength and identity. But local support no longer will sustain either the immediate need or the fuller promise of these colleges. It hinges upon federal partnership. It calls for a stronger federal commitment, tailored to new patterns of support, stressing equity in both staffing and funding for the junior community colleges.

In summary, our concern rests upon these three points:

1. That the junior community colleges, pressed by growth, are called upon by popular demand to serve new clienteles and new needs—which when satisfied promote both social progress and harmony, but which simply cannot be satisfied by the college's present sources of help.
2. That the federal commitment to education as the wellspring of national vitality and strength has been blunted, and in the relative sense, turned downward, at a time when education is more clearly than ever the door to both private aspirations and social and economic progress.
3. That junior community colleges must achieve in federal support programs the equality with other segments of education which they are presently denied.

Such equality is essential to realization of the vision which the junior/community colleges share with former H.E.W. Secretary Finch:

"It is a vision that, by what we put in motion now, our cities may become true communities. Beyond mere agglomerations of neon, asphalt, and people, inhabited by the alienated and the underprivileged, we envisage human settlements of free and engaged spirits, communities where we exchange ideas, not just commodities.

"To this new urbanism, the community college can contribute—as the university has always contributed—a vitality, a sense of constant renewal, a sense of shared purpose. Their grand opportunity is to endow city dwellers with the means to cultivate the life of the mind as well as the skills to ensure material comfort.

"The frontier where the community college is at work, in sum, is the frontier of the human spirit."

II. VIABLE EXISTING PROGRAMS

Expanded federal support of higher education must begin with the fuller funding of already viable programs, enhanced by the application of the principle of forward-funding to all programs for which it is suited. Such public disillusionment as higher education contends with today can be traced in part at least to federal failure to fund the support pledged in various acts of the last decade. With the American Council on Education, we hold that:

"Launching of a program at a given level of support should signify the Government's intent to continue at the level of support unless the program fails in its purpose or the need for it has been fulfilled."

We recognize the responsibility of education itself to document its needs more precisely. But even where need has been thoroughly documented, the federal commitment simply has never approached the promise. A prime example: the Higher Education Facilities Act. Communities that in recent years contemplated the construction of junior community colleges have been discouraged from the attempt by the failure of the 50 percent matching to materialize. The American Council on Education has, for example, estimated current space deficiency at 20 percent of existing plant—a deficiency which becomes an immovable barrier when it prevents already crowded institutions from serving new clienteles. Yet direct federal construction support has shrunk in the space of three fiscal years from $247 million to the complete elimination originally projected in the FY 1971 federal budget.

We likewise deplore the attempts to eliminate equipment support from new federal budgets.

III. RESTRUCTURING FEDERAL PROGRAMS

Dollars alone will not perfect the present programs. Equal in urgency is the need to restructure federal effort. The first and most needed step toward that goal is the formation of a Department of Education and Manpower, or a Department of Human Resources that would both unify manpower and educational programming and also serve as a one-step clearinghouse on all federal programs for education. Some 44 different agencies of the federal government are currently administering scores of education programs. The Office of Education alone administers more than 75 programs. The complexities of recent federal enactments require: (1) an approach that cuts across existing agency lines; (2) a greater reliance on, and therefore very close coordination with, state and local government jurisdiction; and (3) a marshalling of both technical and administrative skills in wholly different combinations from those which now exist.

More effective coordination is needed among the federal agencies whose programs aid education, not only to promote efficient utilization of resources, but also to benefit the eligible institutions. From the point of view of the colleges, the situation is becoming so complex and confused that only those with highly sophisticated "grantsmen" can locate and effectively utilize what federal help is available. Various federal grant forms need to be simplified.

It should be possible for junior community colleges to mount programs that package grants from several agencies. The smaller and less sophisticated institutions are somewhat in the position of the farmer who knows he needs help but has neither the time nor the know-how to go from agency to agency in order to secure it. There should be a coordinating regional agency where the institutions could find help in clarifying their needs and in making maximum use of appropriate agencies. The role of the regional coordinating agency would be analogous to the role of a financial aids officer on an individual campus. The present situation results in costly duplication and overlapping of programs and often impedes and deflects smaller, less aggressive institutions which are in greatest need of federal support.

AAJC urges federal agencies to explore further decentralization of authority to regional offices, state departments of education, and urban centers. Today's heavy concentration of O.E. professional personnel in Washington makes access to administrators of federal programs expensive and impractical.

Awaiting the sweeping departmental realignments already suggested, H.E.W. should institute immediately, by reprogramming existing slots, a comprehensive junior community college and postsecondary career education component at least equal in staff size to the National Center for Educational Statistics. The proposed National Foundation for Higher Education is a step of great promise warmly endorsed here. As a step of equal promise, we advocate the formation of a parallel and separate foundation (to absorb the interim component called for above), to be called the National Foundation for Junior Community Colleges and Career Education.

IV. OTHER REFORMS AND PROPOSALS

General Institutional Aid. We unite again with A.C.E. in the assertion that "the principal unfinished business of the federal government in the field of higher education is . . . support for general institutional purposes." We urge anew our proposal to the 92nd Congress that general support of $100 per F.T.E. be enacted for the junior colleges, and recommend like treatment for all undergraduate F.T.E. in all colleges. We resist formulae that favor either private over public or small over large (or the reverse of each) in the distribution of such support. We consider such weighting inconsistent with the "equal protection" principle. Students and institutions should enjoy equal benefits regardless of location. Consistent with studies that show the first year as crucial to college persistence and success, lower division and upper division studies should be aided by the same standard.

Comprehensive Community College Act. Because the junior community colleges have largely dispaired of achieving equity in O.E. programs as presently structured, they have strongly supported legislation to provide a separate schedule of programs for the exclusive benefit of the junior community colleges: S. 1033 in the 91st Congress, authored by Senator Harrison A. Williams, Jr., of New Jersey. We reaffirm vigorous support of key targets in this bill: aid for comprehensive state planning of junior community college systems; comprehensiveness and community-mindedness in the services of the colleges themselves; independent programming and staffing for junior community colleges in the Office of Education; and increased overall funding.

Earmarked Funds. Funds intended for junior community colleges and postsecondary services in major federal programs should be set aside for them in the budget and appropriations processes, in the same way that construction support is now thus earmarked (Sec. 103). The junior community colleges should have separate line-item support under at least several major programs currently so vital to their progress: Student Financial Aids, Undergraduate Equipment, Developing Institutions, Education Professions Development, Cooperative Education, Special Services to Disadvantaged Students, Community Services, and Vocational Education—in addition to the facilities programs. This approach would permit junior community college needs to seek their own level of support on the basis of merit.

Facilities Support. It is our goal that facilities construction be funded at the full authorization of nearly $1 billion for fiscal year 1972 and that support continue at that level until universal accessibility of higher education advocated by the Carnegie Commission has been essentially achieved, especially for the presently impacted urban and rural areas. It is also our recommendation that the facilities program be amended to stress support for (1) the modernization of older facilities that can serve new needs, (2) the leasing and equipping of community facilities suited to college services, and (3), start-up planning grants for new institutions. We further urge that Sec. 103 support be extended to private two-year colleges (switching them from Sec. 104 to Sec. 103).

Library Assistance. We urge that federal support for this central part of a college's life be continued. Further, we urge that Title II–A of the Higher Education Act be altered in language so that the maintenance-of-effort requirements will not punish new colleges whose initial acquisitions budgets obviously cannot be continued indefinitely. We endorse the suggestions of the American Library Association in this regard.

Student Financial Aid. We laud the Congress for the diversified support it has formulated to overcome financial need for less effluent students. We recommend that the three basic programs—College Work-Study, Educational Opportunity Grants, and student loans—be funded for the 1970's at the levels of aggregate requests which the regional offices of H.E.W. screen and transmit to the Secretary's office. Work-Study and E.O.G. should be modified to provide help to part-time students. We ask too that the matching requirement on Work-Study be eased or eliminated for junior community colleges. We suggest further that the support for E.O.G. and Work-Study should be distributed in institutional blocs to allow the colleges greater flexibility in matching the program to local needs.

Developing Institutions. Title III support should be increased for both Black institutions and junior community colleges. Qualified colleges applying for this help outnumber the actual grants made by three to one. The five-year requirement should be reduced or abolished so that newer colleges serving target populations can participate, and either state or regional accreditation should be acceptable for colleges less than five years old.

Education Professions Development. Junior community colleges need for help is also critical in this Title. With enrollment in these colleges likely to triple again in the 1970's, their personnel need is unique in both scope and diversity, spanning such fields as nursing and data processing, psychology and world affairs, chemistry and aeronautics, police science, environmental technicians, and dietetics. The functions of auxiliary professionals require skills in community services, special counseling and program planning for a fast-growing, career-oriented student body. E.P.D.A. is a highly adaptable instrument which can support both long and short term training programs of the kind and variety which can meet many compelling needs in junior community college staffing.

Vocational Education. The junior community college has strived generally to overcome the second-rate syndrome that marks society's view of vocational technical education by emphasizing integrated programs which benefit all students. Although the junior community colleges in words and actions are deeply involved in vocational-technical programs, the federal government has not provided a viable funding base for such post-secondary education. Costs of highly technical programs using specialized high-cost equipment have been carried primarily by state, local, and private monies. Federal funding patterns still favor secondary programs, even though testimony of vocational educators to Congress shows that junior community colleges and other postsecondary programs now represent 50 percent of all vocational enrollment, full-time and part-time. Funding should be brought into line with these trends, and equal funding given for equal service. In most states, occupational courses in junior community colleges are not given the same support, credit for credit, as are those in traditional vocational schools. Congress should strive for accountability and equity, while substantially increasing postsecondary support.

Specifically, we recommend (1) full funding of the Vocational Education Act; (2) stronger communications among AAJC, A.V.A., state agencies and federal agencies; (3) fairer representation by community college professionals on councils, committees, and panels concerned with vocational-technical education; (4) adequate funding patterns to support high-cost programs which meet local, state, and national needs. The demands for skilled workers and the problems of unemployment and underemployment, entry-level skills for the disadvantaged, and vocational and technical programs for all interested people can only be met with vigorous federal leadership, and with emphasis on vocational-technical education as a continuum—i.e., education that moves an individual from secondary to post-secondary levels to the job market, always on a peer basis with education as a whole.

Manpower. As new manpower legislation is adopted, strong emphasis should be placed upon the utilization of existing local institutions. In many cities the junior community colleges have long been addressing the comprehensive manpower challenge, and both the taxpayer and student will benefit from such institutional emphasis. Manpower programs should offer the student the fullest career ladder and educational mobility possible, and only training programmed in accredited institutions provides both.

Cooperative Education. This program shows enormous potential for increasing the relevance of higher education to employment, and for making both more relevant for nontraditional students. O.E. presently meets only one-tenth of the qualified demand for this assistance. The program deserves sharply increased support to enable more junior community colleges to participate.

Allied Health Professions. Although this program has been a milestone in technical education, it provides support only to colleges already running courses in this field. It should also provide start-up assistance to bring more colleges into the program, and overall support for the program should be increased. At present, junior community college programming, embracing at least 235 allied health courses, is far more comprehensive than the list of eligible programs chosen by the Public Health Service. A national advisory council should be formed to help P.H.S. conceive a more comprehensive, more relevant eligibility list.

Veterans Assistance. One million men a year are being released from the armed services. While these men are eligible for G.I. Bill training, Congressional and Presidential studies show that so far many of them are not taking advantage of their opportunities. Many are educationally disadvantaged. About one-fourth lack a high school diploma, and many more are inadequately prepared for further education. Many lack marketable civilian skills. Unemployment rates are high among them. Junior community colleges are in a position to help many of these young men and women, Though the G.I. Bill Amendments (P.L. 91–219), including increased G.I. benefits and new tutorial and "PREP" programs, became law last March, executive agencies have been slow to implement the changes. As a result, relatively few servicemen and veterans have been able thus far to take advantage of the new programs. Stronger cooperation and leadership on the part of the executive branch, Congress, and the colleges is needed to put these programs into action. New legislation is also needed to speed up payment of G.I. benefits to veterans.

Instructional Technology. Spurred by student demand for classroom reform, taxpayer demands for cost-effectiveness, and the occupational course needs for non-traditional approaches, junior community colleges are making expanding use of programmed instruction and new media. We see this as an emerging priority calling for federal legislation to help perfect new classroom technology and help colleges acquire the manpower, hardware, and software to implement it.

Navajo Community College. The bill to recognize and support this unique institution serving the largest American Indian Tribe has been supported by AAJC in the past and is endorsed anew now.

Accreditation. The growing national concern for career education poses for higher education the urgent challenge of accreditation and licensure reform which has as its goal greater opportunity and institutional mobility for the post-secondary students whatever their career aspirations. Because of the diverse institutional thrusts in higher education, such reforms are likely to arise only from a Congressional mandate for a total review and assessment of current patterns, while encouraging continued reliance on the non-governmental accreditation processes.

Research ; Future Directions. The junior community college cannot abrogate its responsibility of asking hard questions about its progress and goals. Without continuous research an institution cannot identify and understand past and present functioning nor meet the future effectively.

Too often, however, trends toward innovation and experimental programs promote "novelties" rather than sound educational approaches. Too often, the claim that the comprehensive programs make the junior community college a unique institution cannot be supported by data showing "uniqueness." Too often, it is difficult to maintain innovative faculty unless they are engaged in curriculum and programmatic research coupled with adequate financial support.

Although research in community colleges is a necessity for sound program development, the amount of their involvement in federal programs has been minuscule. Currently, community colleges share directly in only 0.5 per cent of the educational research program of U.S.O.E. Several factors explain such small participation: (1) a view by federal agencies that community colleges do not have research competency; (2) the lack of local funding available to match federal money needed for research; (3) a lack of commitment to research by some junior colleges; (4) the rapid growth of junior colleges which left little time for research priority.

We recommend federal support for a comprehensive program of research in the community college. This program could be developed by AAJC, working in cooperation with federal and state agencies and other institutions and funded through existing federal programs. Such a comprehensive program would coordinate programmatic and experimental research projects so that researchers do not spend time re-inventing the wheel. Such a comprehensive program would provide data upon which administrative decisions could be made at the federal, state, and local levels.

Conclusion. History's lessons have amply demonstrated the manifold returns which the nation reaps from the education investment; such lessons have propelled many communities to establish junior community colleges. Distinctive as these colleges are in local pride, intiative, and institutional responsibility, and even as they stress such responsibility, they are increasingly called upon for manpower development and other challenges which transcend local priorities. Such challenges demand balanced support. The can be met only through a new local-state-federal partnership calling for sweeping legislative reforms as proposed herein. The junior community colleges have to share both federal professional leadership and funding commensurate with such challenges. Without such restructuring and such sharing, the challenges can never be soundly met.

All of us recognize that the junior community colleges have been and are making a big difference in higher education—in terms of access and opportunity as a part of the new concept of American education, as well as in the numbers of people actually trained. Considering how slowly recognition and support for them has evolved, particularly federal support, I think the two-year colleges for the most part have done an outstanding job. To meet the wide societal needs of millions of Americans previously excluded from education and career training beyond high school, the first priority is universal opportunity which requires easily accessible institutions, educational alternatives beyond high school, and responsiveness to the greater community on the part of the institutions—all goals to which our colleges are strongly addressed.

In the last two years legislative interest in the junior community colleges has grown sharply. Various factors have fed this interest. It has been quickened by the responsiveness of Congress to educational programs that reach beyond traditional services of the educational community. This, of course, has been reinforced by the introduction of the Comprehensive Community College Act in both Houses of Congress under the authorship of Senator Harrison A. Williams Jr. of New Jersey, the distinguished Chairman of the Committee on Labor and Public Welfare. It has been strongly advanced, too, by the work of you and your Committee.

We commend you once again for the junior community college features incorporated in your first omnibus bill of the last Congress, H.R. 16098, particularly for the provision on general institutional grants of $100 per student—a concept which continues to command the strongest interest of the higher education community—and for the provision supporting comprehensive state planning for the community college.

Both of these objectives are vigorously supported by our Commission and our constituents—as shown in our testimony to you 14 months ago, and as reaffirmed in the statement of goals just placed in the record.

General institutional support has long been the highest goal of our organization, as with others testifying here today.

The formula which now has the general backing of the higher education community, and which you have indicated your omnibus bill about to be introduced will contain, starts essentially with the recommendation formally made to the Congress by Dr. Kermit Morrissey, president of the Community College of Allegheny County, Pa., when he urged $100 per FTE in your hearings of last year. Under this formula, urged in the previous testimony here today, the same $100 FTE would apply to all lower division credits earned.

For upper division credits earned, the annual grant would increase to $150 per FTE. It is understood that 12 credit hours will represent the FTE standard.

We also understand your bill will triple this rate for the first 200 students, and double it for the next 200 students in the college as a way of helping the small independent colleges, and preserving diversity and balance in higher education. All of this we heartily endorse.

The Subcommittee might consider, for low-income students not already covered in the two multipler rates just cited, again doubling the basic $100 annual grant for lower division work. Support services which often make the difference in the low-income students succeeding in the freshman and sophomore years usually cost as much as the instruction itself, sometimes more. With this extra help, the colleges then cannot be accused of diluting programs to accommodate weaker students, at the expense of the better students who usually come from the higher socio-economic groups.

On the whole we regard this formula as the fairest yet simplest we have yet seen developed. We were a party to the deliberations which produced it and we are glad the higher education community can join hands to support it.

STATE PLANNING

Provisions in both your original omnibus bill of the last Congress, H.R. 16098, and the Williams Bill, now S. 545, recognize the need for strong new state planning so that the junior community colleges develop in concert with and in complement to other post-secondary educational services.

Such provisions should insist that the States draw plans that, first of all, bring about universal accessibility in higher education for the general population. The general weakness of higher education in so many states is that it serves only scattered pockets of the population and often only with the traditional academic programs. Each State should have a plan for putting at least the first two years of college work within reasonable commuting distance of the greater population, as stressed by both the Carnegie Commission on Higher Education and the Willingham studies.

Inseparable from the priority, in our view, is the need for making these so-called "free access" or "open door" institutions fully comprehensive wherever possible—i.e., making the occupational and technical programs just as strong as those in the transfer track and to make credits in both areas interchangeable for students to the fullest degree possible.

We also stress that it is essential for this planning to be carried out by an independent ad hoc committee appointed by the governor. Such a committee, depending on the size of the State and the diversity of its educational agencies, could range in size from 15 to 25 members. Half of the seats should be filled by junior college leaders representative of both public and private institutions, and we propose that the chairman also should be a junior community college official. Other seats on the panel should be broadly representative of the public interest, including business, labor, the health and legal professions, Welfare agencies and government, and the state agencies directly responsible for post- secondary educational services.

Once the plan has been completed and ratified by this panel, it should then be approved by the board or agency responsible for community college programs if the State in fact has such an agency. Finally, of course, it should be cleared by the State coordinating agency for higher education and transmitted to the U.S. Commissioner of Education for his approval and evaluation.

The plan should, among other things, be required to show how proposed new institutions and new programs would be coordinated with other existing state plans such as those in vocational education, community services, and college facility construction, and how target areas presently unserved by "free access" higher education would be reached by the proposed new institutions and programs, as well as how distributions of support under the various existing categorical programs would be realigned to carry out the plan.

FACILITIES SUPPORT

Continued construction support is vital to the community colleges. The Administration contends that their student financial aid proposals would extend benefits to almost one million more students, but where is the space for them? Or the staff and salaries, for that matter?

If the current pattern on new students, i.e. freshmen, prevailed, at least half of those students would enter junior community colleges. But where? Weekend colleges are now springing up on many of our campuses, and evening programs have long been vogue, to maximize the space utilization as well as accommodate the working students.

The Administration's desire to eliminate the construction grants is hardly consistent with its desire to bring more low-income students into the colleges. The alternative of capital indebtedness to provide the needed space simply is not feasible for many junior college districts. Some have tried this route in recent bond elections and lost. Many more are bonded to their legal limit. And in some states, the law provides only for pay-as-you-go construction.

With the Administration now talking about an expansionary budget, grants for college construction make good sense. After all, these grants go to projects long and meticulously planned, and in terms of the federal contribution, it would be hard to find public works that cost less. As presently funded, the federal share provided only seed money—vital as that is. The much greater part is state and local money.

The American Association of Junior Colleges also takes the position that all two-year colleges, public and private, should be included under the same facilities grants section, presently Section 103, and that the set-aside should be increased to at least 33⅓ percent of the total authorization for such construction.

START-UP ASSISTANCE

In addition to the comprehensive state planning and the continued construction support we have proposed, we believe provision also should be made for start-up assistance to help states and communities establish new colleges and new campuses as planned.

Such help should be provided in at least two forms, as follows:

1. Annual start-up grants in a three-year declining sequence. These should start when the governing board is installed and should help cover planning and operating costs, but not construction. We suggest the formula cover 30 percent in the first year, 20 percent in the second year, and 10 percent in the third year.
2. Leasing assistance for five years, again on a declining formula. This provision would enable colleges, especially those started in dense urban centers or in other economically weakened areas, where it may not be possible to establish permanent facilities rapidly, to begin programs and maximize local resources in planning and construction. We suggest the federal grants cover 100 percent of the lease costs the first year, 80 percent the second year, 60 percent the third year, 40 percent the fourth year, and 20 percent the fifth year.

STUDENT FINANCIAL AID

The junior community colleges urge the renewal of existing student financial aid programs and the extension of these programs for part-time students.

As your hearings with the Oregon community college leaders already have shown, the part-time student who is self-supporting is penalized twice in his pursuit of college studies. He is usually paying all his own college expenses, and at the same time paying federal and state taxes that help educate the full-time students he must compete with in the classroom.

Assistance of the EOG-type is probably of first importance to the part-time student because Work-Study often conflicts with his regular employment.

The student who already has integrated himself into the world of work, yet also has the fortitude to carry the additional burden of college studies, is a special asset to our society and must be given, in our view, strong encouragement to persist in both his job and his studies.

In our institutions, we usually find the part-time student has a distinct profile. In most cases he or she is 21 or older, married, and holding a full-time job. He or she is as often black or brown as white.

Some of our colleges report that part-time enrollment runs 80 percent or more of the student total, and many show student bodies that average 25 or 26 years of age. Just to illustrate how quickly these trends show up in a new college, for example, here are the figures from Eastfield College, which opened last September in Dallas County Junior College District, Texas. With enrollment already at 4,100, the average age is 26, with 74 percent of the students 21 or older, and 53 percent of them carrying part-time programs.

We want to emphasize that the EOG and Work Study programs have been and are particularly helpful in the junior community colleges, despite the present exclusion of the part-time students.

Guidelines developed from the Higher Education Act of 1965 are sensitive to Students' financial circumstances and educational cost. The institutions' financial aid officers have developed considerable professionalism and expertise. If present forms of student financial aid can be renewed with emphasis on the most needy and the part-time student, and if they can be fully funded, they will basically eliminate financial barriers to educational opportunity.

However, the loan programs have been much less attractive to community college students and to community colleges, largely for two reasons. The colleges themselves usually are under such constant administrative and cost strains and thus they are reluctant to take on the role of the collecting agent. At the same time minority and low-income students and the part-time students, as well as those from marginal academic backgrounds, are not confident their college work will end in success and thus they are reluctant to becloud their future with debt.

COMMUNITY SERVICES

Junior Colleges have not widely participated in the Title I program, University Community Services, and yet we feel this program has great promise and would be vastly strengthened by the general involvement of our colleges. We ask that this title be renewed, and provisions added which would require stronger state plans utilizing all colleges that want to participate.

The program has never had the chance to show its real potential, primarily because it has been under-funded and thus with funding thin, only scattered insituations have participated.

Success hinges on much wider institutional involvement. State plans should be completely redrawn with the active participation of all colleges that have or want community service programs. A strong state plan would eliminate competing services between institutions and at the same time extend services as widely as possible in the State.

We then suggest a basic annual federal grant of $25,000 to each school participating in the state plan. Costs of such grants would aggregate perhaps $35 million, far-below the present authorization, yet they would in our view revolutionize the community service effort in higher education and bring about most of the aims originally envisioned in this program. This kind of federal encouragement and seed support would mean the difference in the majority of community colleges and small colleges between the token community services which are now common, and the commitment by the colleges to genuine and unprecedented outreach and interaction with the greater community.

MANPOWER AND VOCATIONAL EDUCATION

Steps also should be taken, Madam Chairman, to utilize the junior community colleges to better advantage in the nation's manpower programs and in vocational education.

With the exception of a few States, such as your own State of Oregon, where we understand that the community colleges are carrying the greater burden of the MDTA programs, community colleges could be far more widely utilized in post-secondary training of this kind. Hopefully, this can be remedied in comprehensive manpower legislation which this Congress may be writing.

In vocational education, strides have been made by the community colleges in many States under the 1968 Amendments. Yet in many States the community colleges carrying post-secondary occupational programs are not receiving equal support for equal services, in relationship to traditional vocational programs. For example, officials in New Jersey advise us that the community colleges there are carrying roughly two-thirds of the post-secondary load in vocational education, yet they receive only 7 percent of the federal support. We urge anew that the Committee on Education and Labor assert the oversight function on the 1968 Amendments, and review in detail the trends in the various States. The Commissioner of Education should crack down, with Congressional urging, on the States which continue to discriminate against the two-year colleges in their distribution of the post-secondary vocational education support.

RESEARCH CAPABILITY IN COMMUNITY COLLEGES

Mention has been made in discussions of the new omnibus bill you are about to introduce of a special benefit for universities doing research for the federal government. The added allowance proposed would run 5 percent of the amount of each contract. We hope such a special benefit would also apply to community college districts that take federal research projects in education. While community colleges are not likely to get involved in federal R & D outside education itself, many of them now have strong research capability in the field of education, and it should be better utilized by the federal establishment. More of the basic studies on community college trends should be done in our stronger systems—and not always done for us and about us by universities.

Madam Chairman, you and your Committee are to be commended for the emphasis you place on the public service commitment which the public community colleges are and should be undertaking, to meet a wide variety of career and citizenship needs for large populations of young people and adults.

Gratefully, we realize also that you are alert to the important public service commitment of independent junior colleges, with enrollments generally limited by financial resources, which extend their resources to meet the citizenship and leadership needs of their communities. The independent two-year college has been most often overlooked, compared with private four-year and public institutions, in terms of support. It is appreciated that you are giving attention to this imbalance and to the private institutions.

The very preservation of independent two-year colleges, in common with other private institutions, depends on this attention. Serious weaknesses are resulting from a tuition gap which makes the private colleges non-competitive. Further widening of this gap would soon destroy the viability of the private colleges. Values of diversity and creativity and flexibility would be lost which have a synergistic value for all of higher education. Students would be added to public college enrollments as an additional financial burden. The remedy for this tuition gap is in student financial assistance and institutional grants which take per-student program cost into account.

In closing, Madam Chairman, we stress again that education of students with culture-based disadvantage is not a low-cost effort. Neither is it essentially remedial. Yet it is certainly in the national interest. The basic understanding reached by an institution that is closely responsive to its community is that: Culture-based disadvantage is no bar to leadership and effective citizenship. Leadership and society grow together. Native or external elitism will not do.

A program that is geared to the cross-section of the community's fabric can produce a leadership that is part of the community, not elitist. Leadership and citizenship education for students with culture-based disadvantage requires heavy investments beyond the classroom in personal contact of teachers and students, guidance, counseling, language laboratory, media center, cultural programs, special services, and staff relating to dormitory governance and community involvement activities. These are not luxuries.

Innovations that spring from community need, rather than from institutional theorizing, should be encouraged in terms of investment beyond traditional instruction.

Obviously, then, traditional higher education no longer is enough. We have added populations to serve—many from groups previously barred from education beyond high school. Along with this has grown the recognition that educational institutions must be responsive to the communities in which they are based.

Fulfillment of these responsibilities necessitates changes in curricula and teaching methodology and the development of a wide variety of programs which have never been a part of traditional higher education, all revolving around a concept of service. The need for this service is great, and community-based two-year colleges are, both philosophically and practically, the institutions most suited to the task.

The community college is one that can offer the career ladders and the flexibility for individuals to move, according to their needs and capabilities, in and out of varieties of educational and training experiences. This is not merely a set of job tracks. It offers true career ladders, combined with education for citizenship. Free movement and peer rank among occupational, technical, academic and professional programs encourages growth of individuals and gives dignity to multiple programs that are based on people's and communities' needs. Comprehensive offerings dignify the principle of choices. They reform and correct the important categories and classifications of programs which otherwise reduce options for individuals and minimize their dignity.

The development of responsive and comprehensive community-related options in itself will help the ideal of universal opportunity come true. A wide range of educational choices is an essential part of opportunity in education. It should be recognized that it is not desirable for every institution to be the same or to attempt the gamut of comprehensive programs. But it *is* important that, collectively, the institutions available to students in their communities and regions provide the comprehensiveness that makes opportunity possible and accessible.

We thank you again, Madam Chairman, for this opportunity to share our views with you and the Subcommittee.

AMERICAN ASSOCIATION OF JUNIOR COLLEGES,
Washington, D.C., May 5, 1971.

Representative EDITH GREEN,
Chairman, Special Subcommittee on Education,
Washington, D.C.

DEAR REPRESENTATIVE GREEN: We are very grateful that your staff has shared with our organization your new omnibus legislation for higher education, H.R. 7248, and asked for specific comments and recommendations not touched upon in President Hayes' statement submitted for your hearings.

The bill is a truly profound piece of work and it holds great promise for the improvement of federal programs serving the growing college enrollments. It reflects many insights and inputs gathered from the extensive hearings you have been conducting this year and last year on higher education. The hearings have been remarkable in their penetration and scope, and your leadership and diligence in holding them has rendered a great service to American education. For this we are most grateful.

Your bill contains exciting new provisions which have been strongly advocated by AAJC's Commission on Legislation, and we are confident you will have widespread community college support in the push for enactment of the bill.

The provision on institutional grants promises sweeping relief from the financial pressures which are crippling more and more college programs. This financial crisis is almost universal among the community colleges, as well as among the independent two-year colleges. This is so because the community colleges, to a much larger extent than other colleges, are dependent upon a local tax base, and in most communities, as you know, the property tax already is overworked. It is generally true also because the community colleges, still growing at the rate of almost one a week, are absorbing more of the new students, more of the growth, than any other segments of post-secondary education.

President Hayes' testimony strongly endorsed the concept of institutional, or operating, grants now embodied in your formula. The junior colleges will continue to work hard for this approach, because they have long urged it as a basic solution to be tried and tested.

We should add that many of our college leaders believe the concept should be launched with a single standard for all grants. They are not convinced there is justification, looking at the current labor market, for a graduated formula which favors graduate education at two-to-one over lower division work. Occupational and paraprofessional careers are generating many of today's heaviest demands for post-secondary education, and for many of these programs, the costs run as high as the costs of many graduate programs. You perhaps have heard from various community college administrators on this point, and I hope they have given you breakdowns that illustrate the high costs of occupational and technical studies.

Whatever formula the Committee may settle upon, you can be sure that junior colleges will cooperate in making full and speedy application of it, for they know their operations will be quickly strengthened by it.

We believe, too, that whatever formula may emerge, variations and adjustments will be made by the Congress, as the demands in higher education shift and fluctuate. In our view, the bill should *mandate* the Office of Education to carry out studies on the justifications of cost differentials between lower and upper division courses and between undergraduate and graduate work in various fields, because such an approach at present is based more on practice and tradition than on well-defined data or even basic educational theory.

Some observers, including some Congressmen, have expressed to us the desire to incorporate a needs factor in your formula. In our view, this would be most easily done by doubling the lower division standard, or basic grant, for each low-income student who is receiving either state or federal student financial aid assistance. Specifically, we urge this also be done on an FTE basis to account for the half-time students. If you consider the black colleges as well as the community colleges, the neediest colleges in most instances are those trying to serve the largest percentages of low-income students.

Again you have our warmest gratitude and full support on the provision making the half-time students eligible for student financial aid beyond loans. Innumerable academically qualified students who must carry job and family responsibilities will be encouraged and aided in the pursuit of college courses by such assistance, and since the community colleges already have about one million part-time students, their constituencies will reap enormous benefits from this provision.

Community college students also will benefit greatly from the elimination of the matching requirement on the colleges for the grants and work-study funds. Many two-year colleges have not been strong participants in these two programs simply because they do not have budgets adequate to cover the matching requirement.

Perhaps you anticipate that the institutional requests for student financial aid will be met in full and thus students simply must show exceptional need to qualify under your bill. And we appreciate your desire to eliminate, or at least minimize, tedious guidelines and other red tape which have impeded these programs (particularly for thinly staffed two-year colleges). But the requests may not always be fully funded in the appropriations process, and we hold the strong hope that you will add language to specify that students with greatest need will be helped first.

In community college eyes, there is a difference between a student whose family income is $3,000 a year and one whose family income is $6,000 or $7,000 a year, even though neither family may be able to make a contribution to the student's formal college expenses. The student in the second instance can usually count on meals at home, help with clothes, perhaps bus fare. The student in the first instance likely must be entirely self-supporting.

We also think that the student financial aid provisions should stipulate that the student who once qualifies for such assistance cannot be deprived of continued assistance, unless he falters academically or his income picture changes.

We assume that the omission of the section on state planning for community colleges, carried in your bill of last year, was inadvertent since you indicated to us personally your intention to retain this in your new bill, so we simply call this to your attention and reaffirm our support for it.

We appreciate elimination in the extension of the Strengthening Developing Institutions program of the five-year stipulation, which has been injurious to the newer community colleges. Your increase in the authorization for this program is equally laudable. By elimination of the five-year requirement, some 250 community colleges ineligible in the past would suddenly be potentially able to apply. We are thus compelled to urge that the percentage of the program earmarked for the community colleges be raised to at least 40% and hopefully 50%. In numbers, as in many other respects, the community colleges are in fact the "developing institutions" of American higher education. While other types of colleges are fairly static in number, the surge in new community colleges continues, with another 300 likely to start operations in the 1970's. About *one-third* of the public community colleges now in operation have been built in the last *five years*.

For the reason just cited, we also contend that the percentage division of grants for construction is no longer realistic, and we urge that this be revised to provide at least 35% and hopefully 40% to the community and technical colleges. The case would be still stronger for the 40% if the Committee might agree to put all two-year institutions under Section 103, as we have urged previously. But the actual appropriations pattern of the last several years, heavily favoring Section 103, shows how far the current percentage division is out of line with realities.

Also important to the junior colleges and community colleges is the stronger services in guidance and counseling as envisioned in Chairman Perkins' bill, H.R. 32. Hopefully this provision will ~~also~~ be ~~picked up by your Subcommittee~~ in the mark-up of H.R. 7248. Our colleges are built largely on the concept of making higher education not only available but adaptable for all who can benefit from it, and counseling has consistently been a major factor in their success.

We cannot close without thanking you and your colleagues for existing federal programs that are helping higher education. Colleges have benefitted enormously from this support. With overall enrollment doubled in higher education in the last decade (tripled in the community colleges), most of us shudder to imagine what the colleges' plight and pressures might have been without the contributions of these programs, and without the leadership and vision the Congress has given to our needs and problems. If we can provide further information at any time, please do not hesitate to call upon us.

Sincerely,

FRANK MENSEL,
Director, Governmental Affairs.

STATEMENT OF HON. KIKA DE LA GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman. It is my privilege to testify in behalf of HR 647, a bill I have introduced to expand the latitude of the Higher Education Act of 1965 to authorize training programs for teachers in order that they may teach other grades or subjects in which there is a teacher shortage.

These provisions are, I understand, incorporated in HR 32, the Higher Education Act of 1971. However, at the time I introduced HR 647, I was not aware of the fact that these provisions were to be included in the omnibus bill.

Mr. Chairman, as you know, the present law places severe limitations on persons who can take advantage of the teacher training program. Existing guidelines require that participants in the program be recruited from unemployed persons; those employed in activities other than teaching; those who have not been employed as teachers or teacher aides for at least one semester immediately preceding the training program; employees of educational agencies who are not involved in the educational process—for example, custodians, cafeteria workers, bus drivers; college seniors or graduate students other than those who have majored in education and have prepared themselves to be teachers; substitute teachers who have been employed as teachers for fifty per cent or less of the school year immediately preceding the training program.

Educators in our area think that more effective use would be made of this program if participants could also be selected from teachers now in service who need to upgrade their skills, or acquire new skills, because of changes in assignment to different levels or subjects. I believe they are right. Since many South Texas teachers are working on emergency teacher permits, guidelines allowing greater flexibility of selection would aid in better instruction of the children. I do not know of anything that is more important.

Since coming to the Congress I have supported education bills both on the lower and the higher levels. I believe the distinguished members of this committee are in accord in this respect, Mr. Chairman, and with this thought in mind I very respectfully express the hope that the provisions of HR 647 will be favorably reported, either as a part of the Higher Education Act of 1971, or as separate legislation, whichever would seem feasible under the circumstances.

I appreciate having the opportunity to testify in behalf of this proposal before you and the members of the subcommittee today.

UNIVERSITY OF PITTSBURGH,
Pittsburgh, Pa., April 21, 1971.

Hon. EDITH GREEN,
Chairman, House Special Subcommittee on Education,
Washington, D.C.

DEAR MRS. GREEN: I am enclosing a copy of my letter to Congressman John Dent and a statement on the international education activities of the University of Pittsburgh, and State of Pennsylvania institutions and education at several levels. I would certainly appreciate whatever assistance is possible to ensure the continuation of the NDEA Title VI program, especially under an expanded concept which would allow greater attention to the undergraduate level, the production of teachers, and the development of programs with a topical and problem-oriented approach that lend themselves to an international examination—environment, education of minority populations, urban planning, etc.

I do hope it will be possible to include this statement in the written record of your Subcommittee hearings.

I would also like to take this opportunity to express my gratitude for the attention given international education in your higher education bill, H.R. 7248.

Please feel free to call on me should you wish any additional comment from the University of Pittsburgh or information on the international activities of Pennsylvania.

Sincerely,

William F. Dorrill,
Director, Asian Studies Program.

University of Pittsburgh,
Asian Studies Program,
Pittsburgh, Pa., April 21, 1971.

Hon. John H. Dent,
Rayburn House Office Building,
Washington, D.C.

Dear Congressman Dent: I have enclosed a short statement on the role of the National Defense Education Act, Title VI program within the State of Pennsylvania at several levels of the educational process which I would very much like respectfully to submit for the written record of the House Special Subcommittee on Education.

The statement simply reaffirms the importance of the Fereign Language and Area Studies Program as a national resource, and as a catalyst for the development of international education resources at a growing number of higher educational institutions, public schools, and State Education Department projects in Pennsylvania.

The main focus of the program must be continued with the assistance of Federal Government support if the production and training of needed area specialists is to be supported and maintained at adequate levels. However, it is becoming increasingly important that international education resources be diffused to a greater extent to other levels of education. We would certainly hope that the Subcommittee would support any initiatives possible that would implement this "expanded responsibility" of the Title VI program.

I certainly appreciate the time and attention you have given this matter. Please feel free to call on me should you need any additional information on Pennsylvania or University of Pittsburgh activities.

Sincerely,

William F. Dorrill,
Director, Asian Studies Program.

Statement of William F. Dorrill, Director, Asian Studies Program University of Pittsburgh

On March 10, 1971 a delegation of Pennsylvania educators appeared before the House Appropriations Subcommittee for Labor, Health, Education and Welfare to attest to the value of international education in the State of Pennsylvania at all levels of education. The testimony was led by Dr. Wesley Posvar, Chancellor of the University of Pittsburgh, whose testimony you now have. Dr. Posvar testified that such programs as NDEA Title VI—Foreign Language and Area Studies—were accruing benefit not only to the nation as a whole, and to the larger university complexes (as has been all too often the image), in the State, but to public school systems, the State Education Department and numerous small liberal arts colleges throughout Pennsylvania.

Under the authority of NDEA Title VI and the Fulbright-Hays Act (Section 102(b)(6), for example, foreign educators have been able to come to Pennsylvania to work with public schools, consortia of institutions, teachers and faculty, and the community to develop foreign language and area studies materials for use in the classroom. In recent years these consultants have worked in both Bucks and Beaver Counties, the State Department of Education on several occasions, and small schools like Dickinson College.

Still another program under this authority, called the Overseas Group Projects Program, has increased the opportunities for teachers, and potential teachers, to have overseas comparative educational experience, developing curriculum materials on the basis of their overseas experience, and developing new interest and new perspective. In the past two years along undergraduate liberal arts institutions like Alliance College, Slippery Rock and East Stroudsburg State Colleges have been awarded grants enabling students and faculty to study overseas.

The major focus of the program, however, is still the NDEA Title VI Language and Area Studies Center and Fellowship Program. Six major institutions within the State of Pennsylvania (Bucknell, Duquesne, Lincoln University, University of Pennsylvania, Pennsylvania State University, and the University of Pittsburgh) receive support from this program for both graduate, and undergraduate activities. No Center, even a graduate one, can operate without having some benefit, direct or indirect, for undergraduate education. Center faculty are often required to teach undergraduate courses. In turn, all NDEA VI Center graduates will teach in other NDEA VI Centers or major universities; many Title VI "products" will teach in the small liberal arts and teacher-training institutions within Pennsylvania like Slippery Rock and East Stroudsburg State Colleges. The NDEA Title VI program, does, therefore, have a broad "multiplier, overflow" effect.

What is needed for the future is, perhaps, a more direct and conscious allocation of resources to programs that will train and produce a generation of teachers who will in turn be introducing non-Western, international studies into the curriculum of their schools; programs that will produce the curriculum materials and provide necessary training both in the U.S. and abroad for an increased number of undergraduate students who will become, not only teachers, but who will go into other professional areas like business, law, agriculture, engineering and urban design—fields which are becoming increasingly "global" in perspective.

Increasingly NDEA VI programs are becoming more relevant to U.S. educational problems; problems like education of minority groups. In Pennsylvania, where there are a number of concentrated ethnic populations, NDEA VI programs have begun to share faculty and resources, helping to train secondary school teachers in the language and culture of related ethnic groups. For instance, the Slavic Studies Center at the University of Pennsylvania is working closely with the Polish and Ukranian areas of Philadelphia developing special instructional materials for the public and parochial area schools with large Polish and Ukranian populations. Lincoln University's African Center has been working with the Philadelphia School District organizing seminars in African Studies for secondary school faculty and students, especially from the inner-city area. Duquesne has been developing curriculum materials on African Studies for the Allegheny and Rankin School Systems. Alliance College whose total makeup for the most part is Polish has been providing Pennsylvania students with Polish heritage opportunities for study and training opportunities in Poland annually.

An expanded concept of the present National Defense Education Act aimed at the development of resources and educational personnel education, teacher-training, and levels beyond the very necessary training of needed language and area specialists would be supported by universities such as my own.

It must not be forgotten, however, that the main thrust of the Title VI program is the support, production and maintenance of foreign language and area specialists—specialists which require high-cost and long-term training, and which ultimately serve a national interest and need rather than the needs of individual institutions. This main focus would not be displaced by these expanded activities, but complimented and reinforced.

Personally I would hope that the House Special Subcommittee on Education would give special attention and consideration to the idea of international education beyond the production of the specialized language and area studies expertise. It will be an important investment for the State of Pennsylvania and its institutions. Some programs, as have been cited, are answering this need, but the amount of resources that can be diverted from the main focus of Title VI program are limited. I do maintain, however, that along with the traditional Title VI program, it is important to diffuse international and non-Western studies throughout the educational system at all levels.

I sincerely hope that the Subcommittee will support any such actions that would encourage the implementation of these ideas. And I would hope that the Subcommittee would feel free to call on me for any additional comment or information about these activities in the State of Pennsylvania.

KENDALL COLLEGE,
Evanston, Ill., May 17, 1971.

Representative EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.

DEAR MADAM: The Illinois Association of Student Financial Aid Administrators (ILASFAA), currently in its fourth year, has 124 active members, all of whom are associated with the administration of financial aid programs for students beyond the secondary level of education in the State of Illinois. As a state association, ILASFAA is devoted to the professional development of members and improvement in the operation of student assistance programs.

At the Annual Meeting, held April 1 and 2, 1971, the membership approved the report of a special committee appointed to consider several legislative and administrative matters. Further, the membership endorsed the recommendations made by the committee.

A copy of the committee's report is enclosed for your consideration.

Sincerely,

EARL H. SMITH,
Secretary, ILASFAA.

ILLINOIS ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

The special committee appointed by the President of ILASFAA to consider the possible effects of proposed federal legislation and administrative procedures regarding student financial aid upon colleges in Illinois—especially private colleges—met on January 20 and March 4, 1971, at the Office of the Illinois State Board of Higher Education in Chicago.

The main topic discussed was the impending change in various legislation which would eliminate the State allotment formula as a method of initial distribution of federal student aid funds among the several States. It was the consensus of the committee that elimination of this formula may have a tendency to penalize colleges, both public and private located in Illinois. It was agreed that any procedure of distribution should not penalize those States with existing scholarship and grant programs.

At the very least, elimination of the formula should not take place until a sufficient study is made to ascertain the possible impact of distributing funds according to new federal guidelines by income brackets without initial use of the State allotment formula. The main concern here is the Work-Study Program. Under serious limitation of funds, many of the students from the "lower half" of the middle income group will be deprived of one type of self-help program to pay their college expenses. This would probably prove to be especially true at private colleges located in rural areas. Some of these colleges are in serious financial condition and will not be able to continue to subsidize a student work program to offset a lack of employment opportunities in small towns and a reduction of Work-Study funds. In periods of economic recession, even colleges located in large metropolitan centers have difficulty in assisting students to locate part-time employment.

The committee recommends to the membership of ILASFAA that our organization go on record officially as endorsing the following:

(1) Any system or formula devised for the distribution of federal student aid funds, should not penalize State and/or institutional efforts in providing financial assistance to needy students.

(2) That it be recommended to the National Council on Student Financial Aid to establish a list of principles regarding Federal and State financial aid programs against which any proposed Federal and State legislation can be judged and evaluated.

(3) That adequate funding be urged upon the federal government to insure that students from both low and middle income families receive sufficient student aid to enable them a choice in selecting either a private or public institution. Participation in Work-Study Programs as a form of self-help should be included.

(4) That the foregoing three proposals and the rationale in support of them be communicated as the official position of ILASFAA to those persons on the attached Distribution List.

PROPOSED DISTRIBUTION LIST

(*a*) All federal congressmen from Illinois.

(*b*) All federal congressmen on the respective Senate and House committees assigned to Education committees.

(*c*) The Commissioner of Education, U.S. Office of Education, Washington, D.C.

(*d*) The Director of Student Financial Aid Programs, U.S. Office of Education, Washington, D.C.

(*e*) The President of the National Association of Student Financial Aid Administrators.

(*f*) The Secretary of Health, Education, and Welfare.

(*g*) The Executive Director of the Illinois State Scholarship Commission.

(*h*) The President *and* the Executive Director of the Federation of Independent Illinois Colleges and Universities.

(*i*) The Executive Director of the State Scholarship Commission (equivalent to Illinois) of the States of California, Michigan, New York, Ohio, Pennsylvania and New Jersey.

(*j*) The Governor of the State of Illinois.

(*k*) Director, Higher Education, Region V, Department of Health, Education, and Welfare, Chicago, Illinois.

STATEMENT OF JAMES PARTON, PRESIDENT, ENCYCLOPAEDIA BRITANNICA EDUCATIONAL CORPORATION, ON BEHALF OF THE ENCYCLOPAEDIA BRITANNICA COMPANIES

My name is James Parton. I am President of the Encyclopaedia Britannica Educational Corporation. I am also a member of the Board of Directors of Encyclopaedia Britannica, Inc., the founder and former president of American Heritage Publishing Co., a member of the Board of Trustees of Loomis Institute, Mills College, the Harvard Alumni Bulletin, and the Institute of International Education. I am particularly grateful for the opportunity to comment on behalf of Encyclopaedia Britannica Educational Corporation, and the other Encyclopaedia Britannica companies; my theme is the vital need for continued effective Federal support for education in several highly specific legislative areas.

Encyclopaedia Britannica Educational Corporation has the specific purpose of producing innovative educational materials such as films, slides, and other audio-visual instructional aids in the "soft-ware" category which are being increasingly used in schools both here and abroad. Other of the Encyclopaedia Britannica companies produce basic reference works, including encyclopaedias, dictionaries and atlases, which appear in virtually every school and library and are found in the homes of millions of families.

The question of continuation of some of the most important educational programs is now before Congress for review. One of them, Title III of the National Defense Education Act, is of particular concern to us. The basic authorization for NDEA Title III expires June 30, 1971 (P.L. 90–575; 20 U.S.C. § 441). It is however, extended through Fiscal 1972 under the general provisions of the Education Amendments of 1969 (P.L. 91–230). Without favorable Congressional action, therefore, this immensely valuable program would terminate on June 30, 1972. Encyclopaedia Britannica Educational Corporation believes that this would be a severe set-back for American Education.

Title III of the National Defense Education Act has been an integral part of national educational policy since it was first enacted with broad bipartisan support during the Eisenhower administration. This program was instituted to meet critical educational needs, and its aims have been consistently endorsed and expanded by Congress in the intervening years. Today, NDEA Title III support is available for all academic subjects.

We believe that the need for continuation of the NDEA Title III program is as great today as was the need that brought that program into existence originally. We are entering an era when it will be increasingly necessary to utilize innovative educational tools to teach our children effectively. Laboratories, filmstrips, instructional packages, records, graphs, and maps have become a necessary part of a modern classroom. Students today are visually oriented. They use audio-visual materials in the same manner that the older generation used books, paper and pencils.

Education is in the midst of a technological revolution with all sorts of innovative methods that permit teachers to abandon the traditional lecture method and direct their instruction to each individual student so as to make the learning process more interesting and effective. We are convinced that this new technology will result in further significant improvement of education in this Country. Moreover, we believe that since many local school systems have now acquired the basic hardware systems, a much greater proportion of the NDEA Title III dollar will be spent for audio-visual materials which have a direct educational impact upon the child. This is of particular significance since, as the President's Commission on School Finance recently indicated in its Progress Report (submitted to the President under date of March 22, 1971), there exists a particular need for ". . . subsidizing the development of excellent instructional software across the entire curriculum, across all the grade levels from kindergarten through twelfth grade."

We are in constant contact with school systems throughout the country. Local expenditures on education have risen dramatically during the last decade. Overall local taxpayers are making real sacrifices to provide superior education in their districts. However, at the same time, the operating costs of the local school have increased dramatically. Inflation has hit the local school system particularly hard. Capital expenditures, operating costs, salary expense and a host of other cost items necessary merely to keep the schools open are taking a larger and larger proportionate share of the local educational dollar. Thus, there continues to be a critical need for programs such as Title III which improve the quality and quantity of materials upon which a child depends for his education after he has been provided the physical facilities and personnel necessary to teach.

Local schools have eagerly matched available federal funds under NDEA Title III even though they are hard pressed financially to do so. In fact, local NDEA coordinators indicated during a recent survey that they could use wisely twice as much money as was appropriated for FY 1971. We might add that the requirement of matching funds is another virtue of this program that is of major value. As the Subcommittee knows, school systems have a very strong incentive to spend federal funds wisely if they are required to match them.

In addition to being one of the most valuable educational programs, we believe the Members of the Subcommittee will be pleased to know that NDEA Title III is one of the most popular programs at the local level. Typical comments commend the program because its philosophy is sound, and its administration is concise and uncomplicated resulting in the ability to make local choices without red tape and bureaucratic restriction. Thus, the greatest tangible results are produced for each dollar committed while losing little in "overhead" costs. The fact that the NDEA program benefits *every* child has strong appeal in most communities. Indeed, the only criticisms of the NDEA Title III program we hear frequently are that there is not enough money to be matched at the local level and that the funding level and continuation of the program are at times uncertain. This indicates a remarkable record for an excellent concept.

Many educators who feel they might not be able to come to Washington to express their views about the need for the NDEA Title III program have recorded some of their comments. Examples of these first-hand reactions of key educators who have actually implemented this program through the years are attached to this statement. More are available should the Subcommittee desire them. We would also be pleased, if the Subcommittee or individual Members so desire, to offer any of these presentations for viewing and listening.

Under NDEA Title III, thousands of local schools have acquired much educational equipment and materials over the past decade. Today, many biology teachers have an extensive array of teaching tools rather than an old textbook. Foreign language instruction has been improved because of the use of language laboratories and programmed lessons on film and tape. Audio-visual materials teach children to read much more quickly than before.

Specific examples will serve to illustrate this point. One of Encyclopaedia Britannica Educational Corporation's most recent educational films is "Heartbeat of a Volcano." This film was produced in collaboration with Howard Powers, Ph.D., and Staff Members, U.S. Geological Survey, Hawaii Volcanoes Observatory, Hawaii. It is a unique film, made at substantial personal danger to the photographer, showing a close-up view of the recent second greatest eruption of Mt. Kilauea in Hawaii. It is a dramatic filming of one of the earth's most powerful land building processes showing the two-week buildup and awesome nine-hour eruption of that volcano. It has rare views of "degassing" and the cessation of the eruption. Volcanic action is one of the most important geological forces in the history of the world and an important focus of scientific interest. Imagine the impact and the heightened student interest that result from the gripping, close-up view of elemental forces in action. Imagine how much more motivated the student is to do further reading and research . . . to extend his learning on his own.

Similarly, our company offers an outstanding film series on "Our Living Bill of Rights" and "American Government and Society," both of which are intended to illustrate graphically and immediately the workings of American society and aid the local schools in instilling the respect for our democratic institutions which should always be an important part of American education. We have prepared films in the area of science ranging from a demonstration of the basic physical laws embodied in Archimedes' principle to such exotic subjects as the polarization of light.

Again, imagine how much more effective the teaching of science is when the text and lecture is supplemented by a visual demonstration of the scientific principles involved. There is also another great benefit from these supplementary educational materials. Student interest lags at virtually every level from time to time. This is recognized as a fundamental problem in education. Being lectured to about volcanos may not be very exciting at times, but the excitement of hearing, seeing and being inside an erupting volcano will bring interest to a high level again.

Other companies produce similar educational materials of the highest quality. These are all necessary ingredients of a superior education program. They are available principally as a result of the enlightened support of Congress for programs such as Title III, NDEA.

In summary, because of the proven success of NDEA Title III and the continued need for funds for local schools to purchase innovative materials, we urge Congress to extend the authorization for this important program.

Statement of John Cheek, Audiovisual Coordinator, Education Service Center, Russellville, Ark.

Improved instruction only comes with improved methods on the part of the teacher. The key to the success of any educational program is the willingness and ability of the classroom teacher to excite, provoke, and encourage individual students into wanting to learn.

NDEA matching money has provided much needed financial help in bringing about improved changes in the teaching learning process. Teachers now have access to new and exciting materials and equipment that were never before available. Because of this, teachers today are able to break from the traditional lecture method and expand into new and more interesting ways of presenting content material.

Materials and equipment, that once were only for the teachers, are now made available for individual students. Students today make use of materials and equipment very similar to the way we made use of pencil, paper, and books.

The new materials and equipment have provided the opportunity for students to operate individually and to learn at their own rate. This has provided the teacher with time to work with other students on individual learning difficulties.

New and additional equipment has provided the teacher with tools for evaluation of her own teaching effectiveness. By means of audio or videotape playback the teacher can apply some type of self-appraisal to her teaching techniques.

NDEA has also provided money for in-service institutes. As a result of these institutes, many teachers have learned new techniques and new methods that they have been able to adapt to their teaching situation.

NDEA funds have improved instruction because teachers and students alike have materials and equipment to make the learning process easier and more exciting.

Statement of Gerold Rogers, Director of Media and Technology, Educational Service Center, Region XVII, Lubbock, Tex.

Funds from Title II ESEA and Title III NDEA have been a tremendous boon to the public schools in the 20-county Education Service Center Region XVII area around Lubbock, Texas.

As an example, the library collections in all of the schools in the Lubbock Independent School District have been expanded and upgraded through the use of Title II of ESEA funds. In addition to the materials purchased through the regular budget, 46,490 books and 13,193 pieces of audiovisual materials such as filmstrip records, pictures, transparencies, and so forth, have been added to their library collections.

The addition of these materials has helped to provide a greater variety of reference materials, more materials to meet individual needs of students and enrichment materials for the curriculum.

Under Title III, we established a demonstration learning center that met the American Library Standards for libraries. This center, called "Project Impact," aroused the interest of principals, teachers, parents, and students for similar library resources. Also, the added materials and services that could be offered necessitated abolishing classroom collections and centralizing and cataloging the materials. This brought about a need for expanded facilities in their elementary schools.

In the last six years, 33 elementary libraries have been expanded and refurnished. The interest created by the Title III "Project Impact" promoted the summer reading program. Elementary libraries in Lubbock are open an average of two days per week for eight weeks to provide recreational reading for the students. During the 1970 summer program, 82,701 books were circulated from 29 libraries.

Without funds from Title II ESEA and Title III NDEA, this tremendous amount of growth and progress could not have been possible.

ASSOCIATION FOR EDUCATIONAL COMMUNICATIONS AND TECHNOLOGY,
Washington, D.C., April 30, 1971.

Hon. EDITH GREEN,
Chairman, House Special Education Subcommittee,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSWOMAN GREEN: Enclosed please find five copies of the testimony presented by Dr. Howard Hitchens, the Executive Director of the Association for Education Communications and Technology as per our requests of March 1, and April 23, 1971.

I sincerely appreciate this opportunity to submit a written statement for the record in favor of H.R. 7248, the Higher Education Act Amendments. If you need more copies or information, please do not hestitate to call me at 833-4180.

I look forward to hearing the subcommittee's recommendations on this bill.

Sincerely,

ELISE ANNE LEWIS,
Director of Federal Relations.

STATEMENT OF DR. HOWARD HITCHENS, JR., EXECUTIVE DIRECTOR, ASSOCIATION FOR EDUCATIONAL COMMUNICATIONS AND TECHNOLOGY

My name is Howard Hitchens, and I am the Executive Director of the Association for Educational Communications and Technology (AECT), an affiliate of the National Education Association.

I hold my B.A. from the University of Delaware, an M.A. from Teachers College, Columbia University, and a Ph.D. in Instructional Communications from Syracuse University. During more than 26 years of service in the United States Air Force, I served as an instructor at Mather Air Force Base, California for four years and at the Air Force Academy in 1957 as chief of the Film and Television Division of Audiovisual Services, and later as Associate Professor and Director of its media program from 1959 until 1969 (except for two years spent at Syracuse University completing my doctorate.) I am a member of Phi Delta Kappa, American Educational Research Association, National Society for Programmed Instruction, National Society for Study of Communications, National Association of Educational Broadcasters, and have served on the Board of Directors of AECT (formerly Department of Audio Visual Instruction) before assuming my present position.

AECT is the professional association of some 10,000 educators whose aim is to improve the educational environment available to learners at all levels through the application of audio-visual devices and techniques to instruction.

We are, above all, educators; but educators who have specialized. Just as Members of the Congress must specialize in particular subject areas, so has the education community come into an era of specialization. Of particular concern to AECT, and I might add, to all of education because no program exists in a vacuum, are three education programs authorized by the Congress: Title III of the National Defense Education Act; Title VI of the Higher Education Act; and parts C and D of the Education Professions Development Act. I note with particular dismay that the Administration, in its recommendations before this Committee, has failed to call for the extension of authorization of either NDEA III or HEA VI.

The thrust and purpose of Title III of the National Defense Education Act is set forth most clearly in a report entitled "NDEA Title III, Fiscal Years 1959-67, A Management View," published in May, 1969, by the U.S. Department of Health, Education and Welfare.

"Initially, Title III had two primary objectives: (1) to support the purchase of laboratory and other special equipment and materials as well as the cost of minor remodeling of facilities to accommodate equipment for elementary and secondary school instruction in science, mathematics, and modern foreign language; and (2) to strengthen State leadership capacity for improving instruction in these areas. The Federal Government contributed up to 50 percent of the costs of State education agency staff improvement and the costs of equipment, materials and minor remodeling; State and local education agencies provided the remaining funds.

"Through NDEA Title III support for equipment and minor remodeling, Congress intended the improvement of instruction to take place in a number of ways, including:

"(1) Increasing enrollments in sciences, mathematics, modern foreign language;

"(2) Increasing the number of advanced courses in the three subjects;

"(3) Increasing the number of laboratory sciences and modern foreign language;

"(4) Changing the methods of teaching foreign language to improve skill in speaking;

"(5) Emphasizing laboratory practice in teaching science.

"Through Title III support, Congress encouraged states to hire additional specialists in the three subject areas so that state agencies would be able to provide leadership to local education agencies for:

"(1) Developing up-to-date curriculums;

"(2) Planning appropriate course sequences for elementary grades through high school;

"(3) Assisting in the selection of high-quality equipment and materials and enabling local education agencies to finance their purchases;

"(4) Providing demonstrations of new equipment and materials;

"(5) Conducting workshops and conferences to train teachers and other school personnel in new methodology, equipment, and materials; and

"(6) Preparing publications and other materials to keep teachers and other school personnel informed of developments in the fields of sciences, mathematics, and foreign language.

"Congress authorized the use of Title III to support SEA, State Education Agency, staff development because in 1958, the status of supervisory services was found to be inadequate, as noted in the Report of the House Committee on Education and Labor:

> "Although adequate state leadership and supervisory services are widely recognized as vital to the development, maintenance, and improvement of sound classroom instruction, only two states have full-time supervisors in mathematics and science; and only two states have supervisors in foreign language instruction.

"Soon after Title III was put into operation, the improvement of equipment, materials, and state supervisory services began to make a constructive impact on instruction in the three subjects. Educators and Members of Congress then recognized that other subjects in the curriculum needed similar attention. Reading and writing skills, for example, were not believed to be meeting acceptable standards. Similarly, Congress was concerned that students were insufficiently familiar with historical events, with the American form of government, and with characteristics of the earth. As a result, in 1964 Congress amended the NDEA and extended support—under Title III (P.L. 88-665)—to five additional subjects: history, civics, geography, English, and reading. In 1965, as a part of the Higher Education Act (P.L. 89-329), Congress extended assistance to instruction in economics. A tenth subject, industrial arts, was added as a part of the Higher Education Amendments of 1966 (P.L. 89-752). Under the Higher Education Amendments of 1968 (P.L. 90-575), Title III of NDEA was amended further. It now authorized assistance for "the special educational needs of educationally deprived children in school attendance areas having a high concentration of children from low-income families." By providing support for the seven additional subjects and for the special needs of educationally deprived children, Congress showed that its intent is broader than was indicated in NDEA as originally enacted—although funds to implement this 1968 amendment have not been appropriated."

Under the Elementary and Secondary Education Amendments of 1970 (P.L. 91-230), Title III of NDEA was consolidated with Section 12 of the National Foundation for the Arts and Humanities Act of 1965 by removing all reference to subject matter specialities in NDEA III and replacing them with the phrase "academic subjects." and by repealing Section 12 of the National Foundation for the Arts and Humanities Act of 1965 and increasing the authorization for NDEA III by $500,000. Title III of NDEA has been successful and is important, as a Department of Health, Education and Welfare report itself indicates. It states:

". . . certain conclusions can be drawn from the annual financial, statistical, and narrative reports submitted by the states to the U.S. Office of Education. A review of these reports indicates that Title III has been a significant factor in bringing about changes leading to improvement in instruction in each of the academic subjects covered by the program."

The HEW report prepared by the Bureau of Elementary and Secondary Education of the U.S. Office of Education at the request of the Senate Committee on Labor and Public Welfare was based in part on a study conducted under contract with Southern Illinois University (SIU) in eighteen selected states based on the then nine HEW regions:

Region I. Connecticut and Massachusetts.
Region II. New Jersey and New York.
Region III. Kentucky and North Carolina.
Region IV, Florida and Georgia.
Region V. Illinois and Wisconsin.
Region VI. Kansas and Nebraska.
Region VII. Arkansas and Texas.
Region VIII. Colorado and Idaho.
Region IX. California and Oregon.

Although the investigators were critical of projects at the local education agency level for a general lack of evaluation (and I would concur that this is one of the most important things that we in the educational field need to do to improve the quality of education generally) their overall reaction was most favorable. The concluding comments excerpted from the report so indicate:

"It was the almost unanimous opinion of all coordinators and supervisors interviewed that NDEA Title III was a significant factor in the improvement of instruction in their states. Although all states did not make 100% utilization of matching funds for personnel services, those funds used nad resulted in curricular improvements and, in many cases, enrollment increases in the critical subject fields. Enrollment increases in the critical subject fields, other than those due to the population increase, were indicated by almost all supervisors. Unfortunately, figures to document these increases were not generally available. From the figures available, modern foreign languages showed the greatest increases, due in part to its initial low enrollments in 1958. The increases recorded in this area are truly phenomenal, exceeding 500% in one state. In the critical subject field where substantial enrollments already existed, the provision of new equipment and materials both for the previous and expanded number of students, due to the population increases, were considered to have made a major contribution to the improvement of instruction through content and teaching methodology change.

"From the foregoing materials, it is apparent that NDEA Title III management in the eighteen selected states can be improved in several areas, most notably in evaluation and the use of advisory committees. However, the evidence of effective NDEA Title III management in the administration of funds, organization of staff, services provided, curriculum improvements and enrollment increases far outweigh the deficiencies noted. Hence, the SIU survey team concludes that NDEA Title III is well managed in the eighteen selected states studied. It is hoped this report will provide an impetus for future improvement in state NDEA Title III management functions."

One of the very important side effects of NDEA Title III is its effectiveness in attracting competent and qualified teachers to a school. Such was the experience of the Franklin County Schools in Franklin County, Mississippi. In 1962, a science project was approved for the district which covered equipment facilities for two high school attendance centers in the county. This project is noteworthy because of its impact on the quality of the science program and the consequent effect on the improvement of the science program in the junior high and elementary schools.

Before the installation of the new equipment, the laboratory in one of the schools consisted of a small, dingy room with one table for experimentation; the science classroom contained little, if anything, related to the teaching of modern scientific concepts. Today, each of the high schools contains a fully-equipped biology-general science room and a well-designed chemistry-physics room. Improved facilities have provided the incentive to good teachers to remain in the district, to restructure the science curriculum, and to participate in the selection of additional materials. More students are now enrolled in science courses and many more have selected scientific fields of endeavor upon entering college.

The influence of the science department has reached far beyond the four walls of the laboratory. A former classroom in the junior high of the district has been remodeled to provide student work stations and storage space; an increased interest in science in the elementary division resulted in a series of conferences for elementary teachers conducted by a consultant and the State Supervisor of Science; and the regional workshops and conferences held in the new facilities have stimulated similar efforts in other districts of the area.

In Des Moines, Iowa, a mathematics laboratory for low achievers was the focus of NDEA Title III funds. Here, a project to improve the general mathematics program for low achievers, particularly at the 9th grade level, was initiated in the 1964–65 school year. The acquisition of mathematics laboratory equipment such as desk calculators, geometric models, and mathematical games gave the teachers the tools with which to attack the problems of interest and aptitude. In-service activities conducted by supervisory personnel from the Iowa Department of Public Instruction encouraged the development of supplementary materials and techniques designed to provide a more concrete approach to the study of mathematical abstractions. School authorities indicated that the project has been instrumental in dropout prevention, and that the skills developed in the use of equipment have assisted students in securing jobs.

In Duval County, Florida, the days when the basic equipment for the teaching of social studies consisted of an outdated textbook and a wall map are gone forever. Today, tapes of speeches by influential leaders are analyzed in civics classes; classes in world cultures are enriched by recordings of music and dances from all parts of the world; geographic concepts take on new meaning as the students work with models, graphs, and charts; the overhead projector has become a "must" in each classroom; films, filmstrips, and slides, many made by the students themselves, offer a variety of approaches to the development of critical thinking in a social context. Participation by teachers in in-service workshops and institutes and the availability of new, multi-media educational materials and equipment have led to the adoption of an "inquiry process" approach to the teaching of social studies which is stimulating students in these schools to think independently and creatively about man and society, both past and present.

The point is, that although I am a media specialist, representing an organization of specialists, what we're really talking about is helping children to learn and helping teachers to teach; we are teachers—educators—first, and specialists second. And although Title III provides a focus—a concentration of federal dollars on a particular approach to education—it is not a frill, or a layer of frosting on top of the educational cake; rather, the instruction successes of Title III have become interwoven as part of the entire scheme of education. So, although Title III can be easily categorized and distinguished as one element of instruction, that ease of identification should not provide the Administration with a license to eliminate it.

No one advocates that the Federal programs should be oriented primarily to the purchase of equipment and materials. But the facts are that teachers and students need modern educational tools, and that the supply of these tools is far from adequate.

It should be noted that less than 20 percent of the schools in the United States meet the recommended standards for school media and library programs. These standards, established in 1969 by educators on the basis of study experience, provide for the minimum of equipment and materials which are needed to do an acceptable job—*and less than a fifth of the schools in the United States, and virtually no schools in the less affluent areas, have the equipment, materials, or budgets to meet these standards.*

The media-centered school is generally regarded as one of the most important new developments in education. This is a school whose instructional programs center around an educational media center, providing modern materials and equipment to all teachers and students. These centers provide an opportunity for individualized study and are oriented to both print and non-print media. In this environment, the student is able to follow individually prescribed courses at his own pace, to meet his own goals.

If I say to you, members of the Committee, or to almost anyone, "Picture a classroom", in your mind's eye will be a room with seats and a teacher's desk and behind the teacher's desk is a blackboard. People of our generation do not think of a classroom without thinking of a blackboard. Today—in 1971—the kinds of equipment and materials which NDEA Title III can help to provide have become just as much an assumption and integral part of the classroom, and of the learning environment as is the blackboard.

I'm talking about harnessing technology to be used as an extension of the teacher, not viewed as a replacement of him. Viewed in this context, we're talking about continuing a federal investment which makes a teacher's time all the more valuable, because not only does it supplement the teacher's ability to communicate, but it helps to free the teacher's time for the all important, in fact most important, responsibility of working with students individually.

In order to determine the states' needs for funds under Title III of NDEA, Robert Shute, Acting Chief of the Bueau of National Defense Education Act Administration of the California State Department of Education last October queried the NDEA Title III Directors in the several states as to how much money their states would require under NDEA Title III for fiscal years 1972, 1973, and 1974.

Some of the comments received by Dr. Shute, in addition to the dollar amounts provided by the state officials, give a further indication of the effectiveness and importance of this program. Some excerpts follow:

INDIANA

"Receiving about ½ of what is needed."

ALABAMA

"In 1960, I came to the Alabama State Department of Education as an NDEA Title III science consultant and in December, 1967 became State Coordinator of NDEA Title III. It seems to me that NDEA Title III began having difficulty concerning funding and its mere existence during the Fall of 1967. Since that time, I have noticed with concern that the U.S. Office of Education does not seem to be active in its support of NDEA Title III. I have heard that USOE is concerned primarily with "people" programs and would like to dump programs such as ours that deal with equipment and materials. I have also been aware of the fact that during my three years of service as State Coordinator there has been no gathering of NDEA Title III personnel regionally or nationally to my knowledge. The recent Belmont Report reflects the lack of interest and concern in NDEA Title III as compared with the engulfing ESEA programs. It seems that those who developed this reporting instrument were not even aware of the purpose and regulations of NDEA Title III. All of this tends to indicate a possible lack of concern on the part of the U.S. Office of Education for the continuation of NDEA Title III . . ."

ARIZONA

"NDEA Title III funds have been of great value to our district. We have been encouraged to maintain a good local effort through the NDEA Title III program. Some of the Federal Programs are considered to some people as 'free' money from Washington. NDEA Title III requires initiative on the local level and for this reason, I feel it has been very effective in upgrading the quality of education in our school district."

NORTH DAKOTA

"Thank you for taking the initiative in assembling data on the needs under Title III, NDEA. With the annual effort to dry up this program, which is the favorite of school administrators, school boards, and teachers, it is not as easy to predict participation as it was when there was rather firm assurance that funds would be available. At that time it was a firm part of the budget with ample provision for matching funds.

"From the attached report you can see that except for the first year before the districts had the programs organized, the annual reimbursements have varied from $188,000 to $453,000. The average has been about $300,000. With the uncertainty of funding last year, we had applications for reimbursements totaling $222,962 even though the districts were aware of the reductions in our allocation from $329,954 to $146,026 . . ."

UTAH

"We have been extremely frustrated in the past few years by the indefensible delays in appropriating the funds for NDEA Title III. These delays have created serious problems for local educational agencies in making best use of the funds. Often the items on which delivery could be obtained and which required the least paper work have not been acquired because time between allotment and expiration was too short. Threatened phasing out of the program and threatened real curtailment of funds have made long range planning and realistic budgeting very difficult.

"We are hopeful that the program can be continued and stabilized for a few years. It has been one of the most productive and popular of the federal programs in our state. There are still vast unmet needs.

"It is not realistic to assume that equipment needs have been met or that local agencies are financially able to cover with only their own resources. While gains have been made each year, there still remains serious inadequacies for several reasons:

"1. Increased enrollments have necessitated equipping new buildings and expanding facilities in existing buildings.

"2. Improved program offerings demand modern resources and technology.

"3. Increased use of audiovisual equipment by teachers and students makes it necessary to have many items available in classrooms at all times rather than on a loan basis as was the case early in the program.

"4. Technological improvements in equipment have made available more and better quality items. (Example: Contrast cassette recorders with the heavy cumbersome tape devices of the early sixties.)

"5. New emphasis on individualized instruction requires availability of greater variety and quantity of equipment and materials.

"6. Many equipment and materials items purchased in the early years of the program are wearing or are worn out and must be replaced.

"7. Because of the accounting and record keeping required, there has been some tendency to acquire larger or more costly items. There remains serious inadequacies in smaller items for individual pupil use."

Copies of the forms and correspondence are on file at the AECT office and will be made available on request of the committee.

Title VI provides Federal matching funds for the purchase of laboratory and audiovisual equipment, closed-circuit television equipment, and classroom materials for the improvement of instruction at the undergraduate level. Since 1965, more than $58 million in Federal matching money has been provided nationally for the purchase of new teaching equipment and up-to-date materials for colleges and universities under Title VI-A of the Higher Education Act of 1965. The need for assistance is even greater now than then, as we try to provide a meaningful experience for students in higher education institutions. These students arrive on our campuses more sophisticated in their experiences with communications media than ever before. They are, and have been, barraged with films, television and radio. Most of these students are the products of schools which have improved their resources and their quality of instruction through NDEA Title III funds. Colleges and universities are caught in an instructional maelstrom not unrelated to the causes of student unrest. The institutions are trying to function as a forum for the open exchange of an awesome amount of knowledge and at the same time lack the financial resources necessary for handling the numbers and kinds of educational needs.

Title VI has been an extremely effective program over the years, and has been capably administered at both the state and federal levels. The boom in higher education has spread materials and equipment so thin that the quality of teaching has suffered in many instances. And it is interesting to note that this "quality gap" is taking place at a time when significant progress is being made in developing new educational techniques.

Although high schools and elementary schools have been benefiting from new teaching methods, modern facilities and up-to-date materials since 1958, when the National Defense Education Act was passed, many of today's college freshmen are forced to work in antiquated laboratories and with out-dated equipment. Teachers are being trained for jobs in modernized high schools through the use of instructional techniques that were obsolete in 1958, much less in 1971.

Whereas the disparity between resources available at high schools and colleges may not be noticeable in some of the affluent state universities and heavily endowed private colleges, it is readily apparent in most of the smaller, widely scattered institutions that simply do not have the funds to purchase materials, equip laboratories or provide teachers with the essential tools they need to keep up with expanded subject matter. It is these institutions—the liberal arts colleges, the teachers' colleges, and the community colleges—that are training over 60% of the nation's beginning teachers. The Senate Committee on Labor and Public Welfare noted that "the question of quality and excellence in college teaching techniques and the adequacy of college materials and equipment to permit such quality instruction have been left unattended." It was pointed out that this problem was particularly serious in small schools with inadequate budgets, and with this in mind Title VI was aimed at those institutions which were trying to improve themselves, ". . . but which, because lack of financial resources, are unable to participate in the educational revolution which is being brought about through the use of new techniques for learning."

This situation is still true today. There has been a continued advance in the effectiveness of materials and equipment designed for modern teaching, and the financial strain on small colleges, if they are to have these materials in their classrooms, is as great, if not greater, than it was in 1965.

The fact that this program is a popular one is clearly shown by figures prepared by the Office of Education covering fiscal year 1969. In this period, a total of 1,545 project applications were received by State commissions. Of these, 927 were funded, and the dollar amounts of the grants allotted—$14,478,085—was only about one-tenth of one percent less than the appropriation. On the average, over the past three years. Matching funds have equalled about 50 percent of grants.

It is also significant that 618 applications could not be funded because of lack of money. The dollar amount by which grant requests exceeded individual state allotments totaled $12,381,117, or 80 percent of the amount actually executed.

Section 603(2) of the current Act provides that state plans should contain "objective" standards and methods on the basis of which the relative priorities of eligible projects are to be determined. It is our understanding that it was the intent of Congress in including the word "objective" to rule out as much as possible the opportunities for awarding Title VI grants to proposals which were not meritorious as judged on the basis of criteria upon which reasonable men could agree. It turns out, however, that the Office of General Counsel at the Department of Health, Education and Welfare has construed the word "objective" to limit state commissions to ranking projects almost wholly on the basis of *statistical* factors—things like per pupil expenditure, number of feet of film, and so on. While such standards are valuable indices to the quality of a program when taken as *part* of an evaluative system, they are not a substitute for a total evaluative system. In short, there is now a need for more flexibility in determining priorities for eligible projects. Such flexibility should include uniform professional judgements concerning the applicant's explanation of the educational problem to be met and how the purchase of the proposed equipment and materials would contribute to the solution of the stated problem.

Although removal of the word "objective" from Section 603(2) might accomplish the ends indicated in our testimony, there is always the possibility that the removal of such a word would be interpreted as an invitation to replace "professional" objective judgment with totally subjective judgment, a result which neither we nor (we suspect) the Congress would wish. Therefore, to make the awarding of priorities more flexible and realistic and, in fact, more responsive to the true intent of Congress (as indicated in Section 601(a)): "The purpose of this part is to improve the *quality* of classroom instruction in selected subject areas in institutions of higher education." We would urge the Committee to include in its report accompanying the extension of Title VI of the Higher Education Act, language which clearly indicates that it is not the intent of Congress that the word "objective" be construed in an entirely mechanistic fashion. Should the Committee agree with this suggestion in principle, the staff of AECT would be most happy to work with the staff of the Subcommittee and, if it is deemed proper, representatives of the Office of Education, to work out language which will better serve to accomplish the underlying aims of Title VI.

Another recommendation has to do with the present limitation in Section 603(2)(a) which provides that state plans set forth "standards and methods for determining the relative priorities of eligible projects for the acquisition of laboratory and other special equipment . . . suitable for use in providing education . . . at the undergraduate level in institutions of higher education . . .". The word of limitation is "undergraduate".

The growing trend in higher education today is to open many courses to both graduate and undergraduate students. The result is a mix in the class composition, both at the graduate and the undergraduate level. Strict enforcement of the "undergraduate" limitation results in an arbitrary and capricious limitation on the improvement of the instructional process at the university. To the degree that the university conforms with the requirement of the law it must restrict the eligibility requirements of various courses receiving assistance under Title VI.

More importantly, I would suggest that the quality of a graduate program of instruction has far-reaching effects on the quality of the undergraduate program of instruction. A good portion of the undergraduate teaching load is borne by graduate assistants and teaching fellows. If the graduate assistants and teaching fellows are given the benefit of instruction through the application of technology to education, it seems inevitable that this will result in a greater interest on their part in using the same sophisticated and improved methods in conducting their own classes before the undergraduates.

Too often we limit our thinking about the application of media to education to teacher education itself. But there is (and should be more) wide use of media in the field of continuing education—in courses such as pharmacy, business administration, nursing, and ocean sciences.

I therefore suggest that the law be brought into conformance with the reality of higher education today and that the phrase "at the undergraduate level" be deleted from Section 603(2)(a).

As we have the very worthy programs which make it possible for our schools and colleges to make their media centers and facilities more conducive to student learning, so also we must have the trained personnel who can direct these centers and provide the staff, both professional and para-professional, which are essential to the functioning of these centers. All the equipment in the world will not make an effective curriculum without the people element. For example, the acquisition of complex equipment for the performance of a heart transplant will not make it possible to transplant the heart, unless the trained surgeon is a part of this system.

In fact, the system of people, processes and devices working together to achieve the learning goals is what we really mean by the term "instructional technology." Therefore, the training of personnel under parts C and D of the Education Professions Development Act form the necessary "other side of the coin," the "Federal coin", if you will.

Training for educational media personnel has been carried on since Title XI of the National Defense Education Act first authorized institutes in the summer of 1965. In the six years during which these institutes have been conducted, approximately 7,500 media specialists have been retrained for our elementary and secondary schools, at a cost of slightly over ten million dollars. These institutes have been continued since 1968 under the provisions of the Education Professions Development Act.

In addition, fellowships were authorized by the Higher Education Act of 1965 for both experienced and inexperienced teachers to continue their studies in specified fields, one of which was educational media. The Education Professions Development Act later supplanted the Higher Education Act and authorized similar programs.

An exhaustive evaluation of these EPDA programs has been underway during the past two years; and its results have been made available. Nearly all reports from participants in these programs to date, including the program directors, indicate clearly that they are having a constructive impact on the schools across the country.

In our technological society, it is essential that we provide the qualified media specialists to work with teacher aides, teachers, principals, superintendents and other school personnel in the process of curriculum development, implementation, and evaluation. Media specialists who are able to perform these functions are not readily available to the school system that wishes to build an innovative educational program. In addition, the media field changes so rapidly that there is a tremendous need for trained personnel to update their skills periodically in order to keep abreast of the new techniques and new materials. Thus, the increase both in new instructional equipment and in new methods developed through research must go hand-in-glove with increased opportunities for personnel who administer the media centers in our schools and train the teachers in our universities.

In the face of the President's call for a National Institute of Education, and the inclusion in the bill before the Committee of a plan to create such an institution as well as the recommendations of the Report of the President's Commission on Instructional Technology, we are reaching a critical point in our thinking about instructional technology. It is essential that we maintain the kinds of support which will insure the continued improvement of the existing educational system (kindergarten through college) while at the same time the emerging educational technology, which demands a systematic approach to the educational process is allowed to prosper.

Finally, I would quote from the Study of Instructional Technology entitled "To Improve Learning," as follows:

"The problems confronting American schools and colleges demand a cohesive, concerted attack. It is not the parts of the educational system that must be improved; it is the system in its totality. The key remedy is not computer-assisted instruction or team-teaching or non-graded classes or educational parks or instructional television; it is innovations like these wisely integrated with each other and with teachers and the more traditional resources of education that may make the difference."

AMERICAN VOCATIONAL ASSOCIATION, INC.,
Washington, D.C., May 18, 1971.

Hon. EDITH GREEN,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN GREEN: We are grateful you have asked for our comments on H.R. 7248, the omnibus legislation you have written to extend and strengthen federal programs for higher education.

We have followed with interest the extensive hearings which you have conducted through last year and this year, and we are most grateful for the time and attention you have given to the problems of education.

In general we view your bill as a step toward the improvement of federal support for higher education. Permit us to comment on three matters specifically:

1. *Aid to part-time students.* Your provision expanding the eligibility of the part-time students for federal benefits is a vital and constructive proposal. It would overcome a deficiency in existing federal programming. Overall opportunity in higher education, particularly for the low-income students, would be tremendously enhanced by grants, or allowances against federal income tax, for those students earning their own way, as envisioned in your legislation. Occupational education students would stand to benefit from this provision.

2. *Institutional grants.* We are very much aware of the heavy financial pressures on colleges generally, and institutional grants would provide immediate relief and avoid the alternative of pushing increased costs onto students and thus reducing post-secondary educational opportunity. It is, however, our strong view that such a step should not be based on a formula which favors graduate education at a two-to-one rate over occupational, lower-division education. The current over-production of graduates in many fields on the graduate and doctoral levels hardly justifies such an investment while, at the same time, people educated and trained in the technical and para-professional fields are in demand in today's labor markets. Moreover, I know of no hard data to show that upper division credits are necessarily a better investment of tax dollars than lower division credits. The tradition of giving the upper division students, who have proven their learning and study capacities, the benefit of the smaller classes with costlier per-capita instruction may be worthwhile, but if any students need the advantage and personal attention derived from small class groups, they are the first year students—those just getting acclimated to college life and a career course. We recommend an approach to institutional grants that will begin with a single standard—perhaps $150 for all FTE's of credit earned, regardless of post-secondary level, and regardless of whether it is in occupational or academic studies. We further urge that the basic grant be doubled for each disadvantaged student enrolled. Unless this approach is used we are likely to bring about an even greater imbalance in the proportion of federal education expenditures. (The ratio is now $14 for higher education for every $1 invested in vocational-technical education programs.)

3. *Comprehensive state planning.* We further recommend that your bill incorporate the provision which your bill of last year contained on comprehensive state planning for community colleges. With post-secondary occupational education growing so rapidly, and likely to continue booming as new careers and upgrading courses become increasingly essential in our fast-changing technology, then such planning to achieve the widest feasible distribution of low-cost post-secondary educational opportunity is essential. In some states, and in many communities, we find community colleges and area schools engaged in competing programs, as well as state colleges and branch campuses and other kinds of schools offering competing courses in the same vicinity. There is no justification for such duplication, and taxpayers should no longer tolerate it. Comprehensive planning is needed to clarify and balance out the roles of various institutions.

4. *Vocational-Technical Education Professional Development.* We again urge that Part F of the Education Professions Act be extended to provide for training and upgrading of vocational education personnel. We have been disappointed that the Office of Education has failed to adequately implement the programs needed in our field, and we urge that the provisions pertaining to vocational education personnel be extended. We would suggest that such programs be authorized at a level of $50 million per year.

We hope our views are useful. Again we commend you for the constant leadership you provide in the improvement of American education.

Sincerely yours,

Lowell A. Burkett, *Executive Director.*

May 19, 1971.

Hon. Richard Hanna,
House of Representatives, Cannon Building.

Dear Mr. Hanna: Thank you for your support of H.R. 7248. Your statement will be made part of the hearings record.

Sincerely,

Edith Green.

Congress of the United States,
House of Representatives,
Washington, D.C., May 13, 1971.

Hon. Edith Green,
Chairwoman, Special Subcommitee on Education, Committee on Education and Labor, Washington, D.C.

Dear Chairwoman: I understand your Subcommittee is now considering your proposal, H.R. 7248, relating to the funding of institutions of higher learning.

Although because of conflicting time schedules and a myriad of other demands I was unable to appear formally before the Committee, I had prepared a statement which I wanted to present. With your permission, I submit this statement now and request that it be included in the hearings of the Committee on H.R. 7248.

With best regards, I remain

Yours sincerely,

Richard T. Hanna,
Member of Congress.

STATEMENT OF HON. RICHARD T. HANNA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Madam Chairman and members of the committee, one of the great works likely to emerge from this Congress will be the omnibus legislation for higher education on which you are now working. This could be the most important measure yet written for higher education, for several reasons.

Colleges in general are under great pressure today. Most of them are severely squeezed by spiraling costs. Higher education is lashed by criticism, a lot of it fair, but also a great deal of it reckless. After all, how many of our basic institutions have absorbed the load increase which the colleges have in a 10-year span? Overall enrollments have doubled. Yes, twice as many Americans are trying college opportunity today as were enrolling just a decade ago; and most Americans, rich and poor, today look upon that opportunity as a right, whereas 10 years ago it was looked upon as a privilege.

In the face of all these pressures, and in the face of the contention over national priorities which has made our campuses, through forces well beyond their control, targets and pockets of disorder and dissent, the colleges have been doing, and continue to do a remarkable job. We must remember our debt to these institutions as we look at our affluent society today. The talents and discoveries pouring out of our colleges have been the backbone of our national progress in the last generation. And I believe, and I think every Member of this Committee also believes, that our colleges and their programs will be easily as vital to, and probably more vital to, our future than they have been to our remarkable past.

Some of the heaviest pressures, and some of the greatest challenges, are falling on the community colleges; and I am here today to talk to this particular interest. I want to urge the Committee to give special attention to some of the priorities I hear community college leaders talking about. They merit some special attention, and, I feel, some stronger support in your new legislation because the general success of higher education as a whole rests more and more upon the community colleges doing their job and doing it well.

In my own State of California, for example, we now have some 800,000 students studying in the 92 public community colleges. It is a bit staggering to contemplate—but this means the colleges are carrying almost every tenth student involved in higher learning for the country as a whole.

More and more, too, the community colleges are becoming the backbone of the post-secondary manpower training in this country. They are beginning to overcome one of the oldest ills of higher education—the double standard that says those in traditional disciplines go first class, those in career or occupational education go second class. In the comprehensive community college, courses have peer value, and that's the way it should have always been in our society.

Some changes are in order, however, if the community colleges are to make the most of these trends. Some such changes, Madam Chairman, you have already incorporated in your comprehensive and imaginative bill, H.R. 7248. I commend you and the Subcommittee for the exhaustive and pentrating hearings and the careful deliberation which has been the groundwork for this bill. It is a tremendous step toward more viable, effective programs for higher education.

Your provision for operating grants to the colleges is an urgently needed new dimension. It has my wholehearted support. This concept is the most important move you could make to alleviate the financial strains oppressing the colleges. And you have devised an excellent initial formula to launch it. I doubt that any institutions would suffer serious inequities from the weightings you propose, and certainly all would benefit heavily from this support. We do, however, propose adding two elements to this provision:

1. Doubling the lower division grants for each FTE of low-income enrollment: the community colleges must have help in counseling and developmental studies to further ensure the persistence of the disadvantaged, non-traditional students.
2. Requiring the Office of Education to initiate thorough studies of the whole

weighting process; the present labor outlooks in the country may or may not justify the extra payments for upper division and graduate credits. Technical and clinical programs in the community colleges in many cases cost as much as many of the graduate programs in the universities, and the demand is generally heavier for the occupational graduates the community colleges are turning out than it is today for Ph. D.s in many fields.

I could easily see, in fact, and I would encourage the possibility that your Committee may elect to launch this great thrust with a single-grant formula—rewarding all FTEs, lower division, upper division, or graduate, on the same standard. This, of course, would be a less costly beginning for the concept. It would also help to compensate the community colleges for the less than equitable share they have gotten in many of the existing federal programs. Community colleges of late have been coming more strongly into their own in most of the existing programs, but I do not believe the inequity has yet been fully overcome.

Your provisions to extend the grants benefits of student financial aid to the half-time students are equally sound, and will be of incalculable benefit to the one million part-time students attending the nation's 1,100 two-year colleges. Many occupational students would benefit substantially from this provision for the part-time students.

In both grants and work-study, we hope you will specify that the neediest students will be the first to receive the aid. Your bill, Madam Chairman, takes another step important to many struggling colleges, particularly two-year colleges, by dropping the matching requirements on the institution accepting grant and work-study funds.

The rapid advance of the community colleges demands, I think, adjustments in the percentage set-asides for these colleges in at least three important areas. First, the allowance for the community colleges under Title III, Strengthening Developing Institutions, is no longer realistic. These colleges are so much the cutting edge, in fact the developing colleges in the fullest sense, they should receive now one-half of the funding for this title. Second, they should now be getting an even split on the construction grants. The appropriations action of the last two years has, in fact, already underscored this trend. Third, the set-aside on post secondary vocational support is also now out of date and should be substantially increased.

With help of this magnitude, the community colleges will make good on the vast promise the American public has come to see in them. Without it, all of higher education could be in much deeper trouble.

Congress of the United States,
House of Representatives,
Washington, D.C., May 18, 1971.

Hon. Edith Green,
Chairman, Special Subcommittee on Education of the Committee on Education and Labor, House of Representatives, Washington, D.C.

Dear Edith: I am contacting you in behalf of Mr. L. Aumund Andre, Vice President of the Central YMCA Community College, 211 West Wacker Drive, Chicago, Illinois, located in the Seventh Congressional District of Illinois, which I have the privilege to represent.

Mr. Andre has forwarded to me the enclosed statement of his college of H.R. 7248 which is presently being considered by your Subcommittee in hearings. I would be deeply grateful if you would arrange to have this statement made an official part of the record of the hearings of your Subcommittee in order that all possible consideration may be extended to it by the Subcommittee members during their continuing deliberations.

Additionally, I would be further appreciative if it is possible for you to make arrangements for Dr. Donald A. Canar, President of the Central YMCA Community College, to testify in person in behalf of H.R. 7248 if the Subcommittee's schedule permits.

I shall look forward to hearing from you in this regard, and appreciate your courtesy and cooperation.

Sincerely,

Frank Annunzio,
Member of Congress.

A Statement by the Central YMCA Community College

We begin with the premise that education should enable each student to reach his full potential, and not only should this be an opportunity for every student, it is in the general welfare interests of the American society and productive economy that this right shall include all citizens. Proposals other than H.R. 7248, with oversight perhaps, but with diabolical effect none the less, tragically, automatically and systematically will exclude the neediest persons in America from participation in higher education for the next five years.

The Central YMCA Community College in Chicago, has 10 years of experience with 45% of its 4,200 students from minority groups and/or the very poor. The college finds that the various bills before Congress (except H.R. 7248) contain Student Financial Aid provisions that will militate to perpetuate poverty, foster impractical debts, exclude from college the neediest persons in America and preclude the able and willing youth of potential from working their way through college. That this one independent college would lose 400–500 students is drastic for the college, but that is not the main point. That 400–500 of this college's low income students would be forced out of school to return to the vicious poverty cycle of the streets, is a tragic travesty of justice, but this also is not the principal point. The significant point is that this educational havoc and human tragedy would be national in scope and voluminous in size.

Ironically, the colleges which presently serve the greater part of the low income students are neither famous nor prestigious; they are neither well financed nor capable of a sophisticated public relations impact; they do not dominate the staid organizations of the educational establishment. Their alumni are not yet leaders in the land and few if any, are members of the Congress. There is danger in that the voice of those who know the real life score will not be heard at this time of revision of Federal higher education laws. We plead for a hearing.

The human fiscal facts are obvious. Studies clearly indicate that a person who is totally self-supporting—and most students from inner city areas are just that—cannot maintain a decent level of living (never mind any customary amenities of life) on less than $4,500 a year in an urban setting. School tuition, books, and expenses would add $500 to $2,500 to the figure. Support of dependents (many students from areas of disadvantagement have dependent children of their own) or required assistance to siblings or parents (a frequent situation) would add further to the figure and bring life's requirements to perhaps $7,000 to $9,000 a year for a very bare minimum of decency.

At this one college in Chicago, there are nearly 1,000 thusly situated students who by sacrifice, self neglect and even family deprivation, try to make it on half that figure or even less. Some exist on as little as $2,000 or $3,000 for all school expenses and all of life's expenses for themselves, and sometimes their dependents as well, for 12 month periods. Yet proposals before Congress stipulate that $1,000 a year is sufficient!

These proposals limit educational grants together with College Work-Study wage earnings to a $1,000 maximum, or less in many cases. Loan provisions are then made for the balance of the student's need. This may well be an excellently conceived plan from a mainstream orientation of assistance to the hard-pressed middle and lower-middle income groups, but it is a callous and ruthless elimination of the very poor from any practical higher educational opportunity. A $1,000 limitation on Educational Opportunity Grants, without an institutional matching requirement, may well be a proper restriction. But why, in the spirit of the American ethic of the respectability of self-supporting work, should there be any limitation on anyone's earned wages except a reasonable wage rate and the capacity and hours for work?

The President is right in stating that a youth from a $15,000 a year income family is more than 5 times as likely to attend college as a youth from a $3,000 a year income family. What is not recognized, however, is that the $3,000 a year family is supporting state or local higher educational systems via sales and other taxes of similar effect and real estate taxes (via rents) to a vastly greater proportion of its income than is the $15,000 a year family. HR 7248 is the only bill that works to redress the injustice of that inequity and makes the college opportunity at least somewhat more likely for youth from poverty level families.

The sociology is known, but painful to admit, and hence ignored. A milieu of poverty invariably includes minority group persons frequently residing in ghettos, includes the life situations that provide limited private sector employment opportunities adaptable to school attendance requirements, includes little possibility of any parental family support of the student (in fact, frequently the students necessarily contribute to family support) and includes few legitimate opportunities for upward mobility except via the self-improvement of education. These would-be college students represent perhaps 10 to 20% of America's families and in cities such as Chicago, for example, they may represent 25 to 30% of the city's families. The proposed legislation (except for HR 7248) says, in effect, to these young Americans: "You may have to rely on federal student aid assistance, but you shall not earn more, and you shall likely be limited to earning less than $1,000 a year in College Work-Study employment wages; if you receive a Federal Scholarship Grant your allowable wage earnings shall be less by the amount of that grant." This has the further effect of saying: "If you are very poor and also likely handicapped by an inferior education and lesser opportunity, you shall not be allowed to improve that condition by furthering your education, even if you are willing and able to work to do so."

Heavy indebtedness for the very poor is at best impractical. It may be necessary as a last resort for the final stretch, but certainly not as a general and preplanned method for those already denying themselves a decent diet, medical attention or clothes adequate for the change of seasons. Conceivably, a young couple, married after college, moving out of a vicious cycle of poverty by necessarily borrowing the maximum for four-years of college, would start life with a $20,000 indebtedness and a burden of interest, in addition. As many of the disadvantaged and under-prepared are, understandably, late to acquire the motivation to seek the opportunity for college and frequently are in their 20's or even 30's when they first enter college, they will still be saddled with their own educational debts when called upon to assist their children in college. In any case, a big debt is a poor substitute for the willingness to be employed to sustain a pay-as-you-go study program.

Our only suggested amendment to HR 7248 would be a provision to instruct the Commissioner of Education to construct guidelines to insure that the relative amount of a grant to a school would be determined by that schools' proportion of service to persons on graduated levels of poverty.

To adopt any of the proposals now before Congress except HR 7248, is to give the lie to America as a land of equal opportunity for those willing to put forth efforts in the opportunity structure. To adopt the so called "Higher Education Opportunity Act" is to make an empty promise of the President's February 22 message to the Congress which stated that "no qualified student who wants to go to college should be barred by lack of money."

These are not the sentiments of bleeding heart liberals. These are hard fact conclusions borne out by experience with thousands of poor who strive to work, earn and pay a good part of their own way out of otherwise self perpetuating poverty and frustration. HR 7248, however, is to our knowledge the only proposed legislation that recognizes these facts of life which the other proposals sweep under the rug. We have some few disputes with HR 7248, but taken as a whole, it is an excellently conceived proposal that is realistic and relevant to the real life situations for the neediest in America. We commend it's author and sponsors and we urge it's adoption by the Congress.

APRIL 29, 1971.

MR. JAMES C. NEELY,
Superintendent, Claiborne County Schools,
Clinch-Powell Educational Cooperative,
Bean Station, Tenn.

Dear MR. NEELY: I appreciate very much your communication of recent date with respect to H.R. 32 and in particular your interest in seeing the Education Professions Development Act strengthened.

I will most certainly see that your communication is made a part of our printed record of hearings now being conducted by the Special Subcommittee on Education so that all the Members will have the benefit of your thinking.

With best wishes,

Sincerely,

CARL D. PERKINS, *Chairman.*

CLINCH-POWELL EDUCATIONAL COOPERATIVE,
Bean Station, Tenn., March 31, 1971.

Congressman CARL D. PERKINS,
U.S. Capitol Building,
Washington, D.C.

DEAR CONGRESSMAN PERKINS: The Clinch-Powell Educational Cooperative is an organization created by the school superintendents of the three East Tennessee counties of Claiborne, Hancock, and Union. The sole purpose of the Cooperative is the improvement of the quality of education in the three counties.

In an effort to improve the quality of local education, the Cooperative applied for and received a grant under the Education Professions Development Act B–2. The impact of this grant has affected the entire professional staffs of the Cooperative area. The training of new teachers aides has led to "old" personnel raising questions concerning training for not only new personnel but also those who have been teaching several years.

In the area of East Tennessee specifically and Appalachia in general, most teachers are established residents of the community and are less likely to leave their present position. This situation creates several areas of concern in that many of the teachers do not have a degree and there is no push to get these teachers back into school.

As EPDA is presently structured, it is impossible to provide the training needed to upgrade the "old" members of the professional staffs. As a group, the teachers have asked that the Cooperative coordinate a program designed to provide professional growth experiences. This request was the result of the EPDA project which is presently in operation.

We would request that EPDA be extended to include all members of the professional staffs. This extension of the act would be a giant step in the long road to quality education for the youth of not only our region but also the entire county.

Specifically, we would support H.R.–32 and its amendments and extensions of the Higher Education Act of 1965.

Legislation alone will not create change. Without financial support, little can be done to arrange for new experiences to happen in an area which is economically depressed. We believe that once the ground is broken in the field of educational professional growth, the professionals will demand its continuance. As you know, ground breaking requires that someone provide the leadership to get the job done. In this instance, the U.S. Congress can be that leader through the extension and fuller funding of EPDA.

Thank you very much for the time and effort you have put into this piece of legislation.

Sincerely,

JAMES C. NEELY, Superintendent,
Claibrone County Schools.
GLENN Q. LIVESAY, Superintendent,
Hancock County Schools.
CLAUDE WEAVER, Superintendent,
Union County Schools.
LAWRENCE W. ALLEN,
Associate Director,
Clinch-Powell Educational Cooperative.

STATEMENT OF MILES MARK FISHER, IV EXECUTIVE SECRETARY, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

It is hoped that in the legislation for Student Financial Aid the Educational Opportunity Grant Program, the Work-Study Program, and the National Defense Student Loan Program insure that "low-income students get priorities in terms of access to such funds in order that equal educational opportunity remain a reality." Without government funds the door to opportunity will remain shut to many students.

To leave the discretionary options to the Financial Aid Officer is not the wisest move. Approximately thirty percent of them turnover each year; another thirty five percent of them work only part time. There is also the possibility that personality clashes, biases, and prejudices may interfere with what is rightfully due a student if he or she is otherwise qualified for funds. Too many destinies will be determined by discretion rather than by potential. In case of the turnover in the financial aid office, the question is raised—who maintains the continuity of the program? Or should not the law provide for this continuity irrespective of who the financial aid officer happens to be at the time?

TOWSON STATE COLLEGE,
Baltimore, Md., March 5, 1971.

Hon. JOHN DELLENBACK,
House Office Building,
Washington, D.C.

DEAR MR. DELLENBACK: Last Wednesday when I testified that Towson State College received 35% of its total funds from Federal sources I would have been wise to heed your skeptically raised eyebrows.

My own associates subsequently called attention to the inaccuracy of my testimony and had not the hearing adjourned I would have immediately retracted my statement and substituted a figure of 3.5%. In any case, I apologize for the inaccuracy of my response to you as the questioner and the Committee as a whole.

I have no excuse for this error, however, I hasten to explain that in the weeks and days immediately prior to my testimony last Wednesday, I have been intensely preoccupied with budgetary matters as regards State support of our institution. The 35% figure is integral to these considerations and corresponds to the amount of College self-generated non-State funds which our institution receives. I hope that you and the other members of Representative Green's Committee will forgive my lapse.

It was personally reassuring to me as it would likely be to any educator to be made aware of the high level of expertise that the Committee members display. I look forward to seeing you again.

Sincerely yours,

JAMES L. FISHER.

TOWSON STATE COLLEGE,
Baltimore, Md., May 3, 1971.

Hon. EDITH GREEN,
Chairman, Committee on Education and Labor,
Washington, D.C.

MY DEAR MRS. GREEN. Thank you for the copy of your House Bill #7248 and your kind letter of April 13.

I am quite happy to see the proposed extension for the provisions of the higher education act. I am especially appreciative of the proposals concerning the EOG program and the extensions of the student loan insurance program and the work-study program, although I wish the authorized ceilings could be somewhat higher.

I, of course, feel that your Title VIII program—Higher Education General Assistance—will be a valuable and badly needed aid to all institutions of higher education in the country. I also understand the logic used to determine the size of grants based on a sliding scale providing $100 per lower level student, $150 for upper level, and $200 for graduate level. However, I feel with this traditional weighting, the effects will be to encourage institutions to emphasize even more their graduate programs and deemphasize their undergraduate ones even though it is becoming more and more evident every day that the opposite needs to occur. It is unfortunate that legislation such as this could not attempt to offset the unhealthy trend of the last several decades by encouraging institutions to emphasize their undergraduate programs—or at the very least, not offer them a cash incentive to grow in a manner that is demonstrably unhealthy for the nation.

I remain grateful for your interest in and commitment to higher education and for your invitation to me to comment on your proposed legislation.

Sincerely yours,

JAMES L. FISHER.

NATIONAL ASSOCIATION OF MANUFACTURERS,
Washington, D.C., April 29, 1971.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education, House Committee on Education and Labor, Washington, D.C.

DEAR MADAME CHAIRMAN: Enclosed are copies of the statement of the National Association of Manufacturers on higher education legislation which has been the subject of hearings before your Special Subcommittee on Education. We would appreciate having this statement included in the printed record of the Subcommittee's hearings.

Sincerely,

ILA C. SULLIVAN,
Washington Representative, Education.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

INTRODUCTION

The National Association of Manufacturers is a voluntary organization of industrial and business firms, large and small, located in every state, which vigorously support principles that encourage individual freedom and which, through the Association, develop and engage in sound programs for the advancement of the economic well-being and social progress of the American people. We appreciate the opportunity to acquaint the members of this Subcommittee with our views.

This is the first time that our views and concerns on higher education have been presented to the Congress. We do so at this time because of the critical nature of the problems faced by institutions of higher learning and because this Association believes that education is essential to optimum individual development, natonal progress, economic growth and the healthy functioning of our national institutions. Also, we believe in a strong system of higher education, encompassing both public and private institutions, available to all who can benefit from the added investment in time and effort.

The portions of H.R. 5191 and H.R. 7248 that are of particular interest include Title IV of each bill ("Student Assistance") and Title VIII of H.R. 7248 ("Higher Education General Assistance"). Several background points need to be established in order to view these proposals in proper perspective.

FINANCE

It is clear to the industrial community that a financial crunch exists in many if not all institutions of higher education. To many people, the solution to these financial pressures is simply to provide more public funds to meet growing student enrollments and ever-increasing costs. Unfortunately, this approach has not solved, nor will it solve, higher education's financial problems. Such measures have been tried for years and years. If this approach is continued, chaotic financial conditions like those of the present and a new round of crises next year, and each school year thereafter, are virtually guaranteed.

Our methods of financing public higher education have grown haphazardly from the era of the relatively inexpensive private liberal arts college and the small state-supported teachers college, which required limited public financing, to the present year when there are approximately 8.5 million students enrolled in private and public colleges and universities. Current expenditures and capital outlays for higher education total $27.2 billion for the 1970-71 school year. During the intervening years, we have adopted a variety of measures, usually as stopgaps, to fit the crisis needs of the moment.

All that need be done to put present enrollments and expenditures into perspective is to point out that college enrollments were 2.3 million in the school year 1949-50. The percentage increase in enrollments from the 1949-50 school year to date is 270 percent. Expenditures during this same 21-year period increased from $2.3 billion to $27.2 billion, or over 1000 percent.

The policies and techniques used to finance a university are in need of drastic reform. Simply prescribing more dollars as the solution is a superficial approach which tends to obscure the real nature of the problems of financing higher education. A careful and pragmatic appraisal of the nature and causes of the financial crunch in higher education is necessary if we, as a nation, are to deal effectively and fairly with the colleges, universities and their students.

The underlying cause of higher education financing problems today can be attributed principally to improper pricing policies. Even though it is claimed that "market pricing" is not appropriate for the services made available by higher education, the fact remains that higher education is subject to supply-and-demand principles. Consequently, the establishment of prices—even for higher education—which do not recognize these principles is bound to create an unsolvable problem. As long as higher education is sold at a great deal less than its cost of production, the demand for this service can be expected to exceed the amount of committed resources. This will usually mean a deficit which can be financed only by a public or private subsidy.

The case for the present system of "free" or low-cost student tuition is based generally on two arguments. First, the principle of equality of opportunity. In other words, proponents of the idea argue that every student should be given the opportunity to attend college regardless of ability to pay. In practice, it has not worked out as advertised.

Present tuition rates in public institutions are very low as compared to actual costs. Special efforts, including financial grants, have been used to attract low-income people to college. There are more "low-income" students in college now than ever before but the likelihood is that most college students will come from middle- and higher-income families. U.S. Commissioner of Education Sidney P. Marland, Jr., in his 1971 Annual Report says, ". . . a boy or girl from a family earning $15,000 a year is almost five times more likely to attend college than the son or daughter in a household of less than $3000 annual income." While low-tuition policies may have been intended to enable the less affluent to attend college, this does not seem to have been the result achieved. A defense of low-tuition policies as a means to attract low-income students is demonstrably weak.

Further, the greater share of money costs that must be laid out by a student to attend college goes to room and board. Tuition charges at public institutions tend to average only 30 percent of total outlays for tuition, room and board. If low tuition attracts low-income students, then low room and board costs, representing 70 percent of total costs, would attract even larger numbers. The intention is good, but the results do not seem to agree with the announced intention. It should be stressed that low-tuition policies have not brought total equality of opportunity. To the contrary, present policies of low tuition subsidize students from wealthy families as well as those from poorer families. Nor are low tuitions the only way to pursue the goal of equal education opportunity. A sound rationale for achieving equality of opportunity would apply equally well to a direct subsidy to students with financial need, or to an improved education capital market which would permit students to borrow against future earnings.

A second major argument used to support low-tuition policies is based on the assumption that all the benefits of higher education do not flow to the student, but that some benefits are external to the student and accrue to society at large. This argument is set upon a weak foundation. There is evidence that the greatest external benefits from education accrue to society from the lower grade levels rather than from the university level, where much of the training is intended to advance personal career ambitions. Even if the external benefit arguments are accepted, a policy of low tuition is not the only alternative. A direct subsidy to the student, for example, the G.I. bill or a loan, would serve the same purpose.

At least an additional three million students are expected to enroll in institutions of higher learning during this decade. The policy alternatives to deal with the projected increases in student enrollments are three: (1) Arbitrarily restrict admissions. Hopefully this can be avoided. (2) Increase the taxpayer subsidy. The record is clear that the American taxpaying public has been, at least up until now, generous in this regard. (3) Impose a larger proportion of the escalating costs on the consumer—the student—who benefits. Individual public institutions should examine this alternative in light of their specific budgetary requirements.

RATIONING

It is important to note that financing problems of higher education are not the only ones caused by below-cost pricing—low tuitions. This practice also causes serious rationing problems. The nature of the problem is best seen by asking the question: Who should get higher education services?

Offering a service at a price below its value creates an excess demand for this service over the quality supplied, whether the product be medical services, rental housing, or a college education. This excess demand requires that the seller, the university in this case, find some way to determine whose request for a higher education is to be granted and whose denied. The problem of rationing the limited higher educational services available is fast becoming one of the major problems of higher education and it can be expected to worsen if present tuition policies are continued.

One generally accepted rationing principle would suggest that higher education opportunities should go to those who possess the greatest potential for intellectual growth. This principle has an immediate rationale in that higher education certainly is intended to involve intellectual activity. However, this rationale can be questioned on both practical and theoretical grounds.

Determining and measuring the potential for success in college is a most difficult and imprecise task. It is almost as difficult to determine which students, once admitted, should be permitted to say in school. Even if "successful" college performance could be predicted accurately, it is proper to ask: Should higher education be denied to those who start from a lower level or who seemingly possess less capacity for growth? Is 20 percent personal growth for the bright student preferred to 20 percent personal growth for the less capable student? Tuitions which are too low require some such arbitrary criteria for rationing the available higher education services.

MOTIVATION

It is frequently stated, significantly by notable university presidents, that some students who are in college should not be. A consequence of below-cost pricing in higher education is to admit to university life many who don't have a strong desire for the education offered. This explains why professors must constantly chide some students to do those things which the student's mere presence in college suggests he desires.

AUTONOMY

It is important that students have the opportunity to hear and read a variety of points of view—especially on public policy issues. But a university which depends on large-scale subsidies faces potential danger to its autonomy and academic freedom during times of financial stress. When an institution is dependent upon a government for massive support, it is difficult to believe that attempts will not be made to influence the selection of the students, the choice of faculty, and the manner by which the institution is administered. Very recent history contains several examples of legislative proposals whose intent was to alter institutional policies by threatening to withhold funds to achieve compliance.

INEQUITY

Present low-tuition policies result in serious inequities. High school graduates who believe that college is not necessary for their career aspirations receive little or no taxpayer subsidy. By comparison, students who attend public colleges are not only subsidized, but subsidized regardless of their financial needs. The young person not attending college is taxed to support the college training of others. Too little attention has been focused on the inequity of a sysem which provides public subsidies to about one-half of each year's high school graduates but gives the subsidy only to those who choose to attend college.

Recent evidence shows that the beneficiaries of the largest public education subsidies resulting from low college tuitions are students from families who, on the average, have higher incomes and are most able to pay. These families receive a higher ratio of education subsidies to total state and local taxes paid than do lower-income families. Therefore, low-tuition policies redistribute income from poorer and lower- middle-income families to upper- and higher-income families. Does society want to continue to produce these consequences through its current methods of financing a university education?

PUBLIC AND PRIVATE INSTITUTIONS

One further background point needs to be established. The disparity between tuition charges at public and private institutions is so great that the autonomy and even the continued existence of some private institutions seems threatened. Despite a verbal commitment to a dual system of higher education, too few tangible public policies exist to make this commitment a reality.

The average cost of tuition and fees at a typical public four-year college approximates $442. The comparable cost at a private college is over $2000 and tuition charges at an Ivy League school approximate $2800. When income derived from organized research and auxiliary sources is excluded, tuition charges at public institutions average around 20 percent of income whereas this figure is approximately 60 percent for private institutions.

HIGHER EDUCATION GENERAL ASSISTANCE

For these several reasons, the National Association of Manufacturers does not believe that institutional grants of the type proposed in H.R. 7248, Title VIII, will meet the real needs of universities. These funds would be at best ameliorative, not curative, and in time would tend to become accepted as a permanent part of an institution's budget. H.R. 7248 would subsidize institutions irrespective of students' financial needs. Yale and Harvard, both with large endowments and student bodies composed largely of middle- and upper-income backgrounds, would receive the same subsidy per student as would Fisk, Lincoln and Talladega Colleges. Further, since these general assistance grants would go to public and private colleges alike, the present tuition differentials between public and private likely would be maintained. Any attempt to subsidize institutions rather than students is bound to cause a variety of inequities between schools and especially between students.

If the alternative available to a college or university were to accept the institutional grants proposed by H.R. 7248 or to increase tuition charges by an equivalent amount, the equity treatment among students would be the same. The terms of H.R. 7248 grant "relief" to students of high-income families equal to that which it gives to students from low-income families. This would seem to be an undesirable and unsatisfactory consequence. If we are really concerned about the apparent tendency to attract college enrollments principally from families with incomes above the national average, this bill's provisions will only accentuate present patterns. It would have little or no effect upon tuition charges where attention is most needed.

Institutional grants of the type and amount proposed might even serve in some instances as an incentive to colleges to enroll more students in order to receive these grants, but a large number of students, under present conditions, simply exacerbates the financial pressure. The consequences of such legislation might very well be to worsen present conditions.

Appropriate Federal action would be to adopt measures that would encourage colleges to solve their financial problems, not pass them on. An inducement for institutions of higher learning to restructure their policies in ways calculated to produce more responsive institutions with the capacity to increase their ability largely to finance themselves seems highly desirable. Neither H.R. 5191 nor H.R. 7248 attempts to establish incentives which would encourage states to (a) provide adequate forms and amounts of public subsidies, (b) restructure tuition policies, or (c) promote improved fiscal management of colleges and universities. These are areas that warrant considerable study and thought by all friends of higher education.

STUDENT ASSISTANCE

This Association is a strong advocate of an increase in the forms, amounts and availability of individual grants and loans to assist students in pursuing higher education. Certain principles seem clear. Subsidized grants and subsidized loans to those who are able to pay should be avoided.

By the same logic, no qualified student who seeks a higher education should be prohibited from pursuing a college education. H.R. 5191 (Title IV, Sec. 400) is crystal clear on this point. Public funds are not available in amounts sufficient to subsidize both types of students, and public subsidies should be reserved for those with demonstrable needs. Differential treatment of students based on economic status should be to help the less well-off to achieve a college education, not to escape totally the economic burdens associated with higher education. Fairness to all students requires an appropriate mix of grants and loan funds as proposed in H.R. 5191.

The emotional argument that students should not be required to go into debt for a higher education is specious. Higher education is most frequently viewed as an investment with a large personal pay-off. If this personal pay-off is not great enough to recoup the cost of acquiring the schooling, both the costs of higher education and the concept that higher education is an investment seem to be open to question. Whether we like it or not, much university education is vocational in nature and most students go to college anticipating a higher earning potential as a result. There is no solid reason why students whose income earning capacity is increased because of their higher education should not contribute directly to its cost.

H.R. 5191, as compared with H.R. 7248, would standardize the definition of need so that all students in comparable financial circumstances would be judged by identical criteria rather than be subject to varying standards as determined by individual student-aid officers at each school. This seems to be a highly desirable and equitable manner of allocating limited resources.

There seems to be no disagreement between H.R. 5191 and H.R. 7248 that more liquidity is needed to achieve the dollar volume and flexibility required of an adequate student loan program. This Association, therefore, joins with many others in endorsing the establishment of a secondary market for student loan paper.

The Association respectfully requests that this Subcommittee in its final deliberations give serious consideration to stressing the philosophy of financial assistance to students rather than to institutions.

THE ASSOCIATION OF AMERICAN UNIVERSITIES,
Washington, D.C. April 29, 1971.

HON. EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS GREEN: At a meeting of the Association of American Universities on April 27, 1971, the presidents of the 46 universities which are members of the Association expressed their deep appreciation to you and your colleagues for introducing a comprehensive bill on Federal aid to higher education.

They specifically favor the approach to student aid embodied in your bill, and they believe that extension of other major elements of the existing legislation is wise. In short, they reaffirmed the position stated by the American Council on Education before your Subcommittee on March 30. Presidents Shannon and Hester who testified with President Cosand have spoken with appreciation of the time which you and your colleagues took to explore all facts of the pending legislation.

We wish particularly to commend you for making general institutional support a part of your bill. An emergency does exist, and general Federal assistance is urgently needed. Insofar as the formula for distribution of the institutional support is concerned, we urge that the Committee reconsider the proposal put forward by the American Council on Education on behalf of all elements of higher education. This proposal gave greater weight to advanced training and research than does your bill.

We would hope that as deliberations proceed, the case for establishing a new National Foundation for High Education will be persuasive. We see such a new organization as having an important mission—the financing of innovation in higher education—which in no way competes with the tasks of the proposed National Institute for Education.

Sincerely yours,

WILLIAM C. FRIDAY, *President.*

NATIONAL FEDERATION OF THE BLIND,
Washington, D.C. April 28, 1971.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education,
Committee on Education and Labor,
Washington, D.C.

DEAR CHAIRMAN GREEN: I request the enclosed testimony of the National Federation of the Blind be included in the printed record of the hearings on higher education legislation.

I also request Committee consideration and approval of the substance of the amendment I propose (on page 8 of the testimony) to the Higher Education Act and that it be incorporated in said Act.

Sincerely yours,

John F. Nagle,
Washington Office.

Statement of John F. Nagle, Chief of the Washington Office, National Federation of the Blind

Madam Chairman and members of the committee, my name is John F. Nagle. I am Chief of the Washington Office of the National Federation of the Blind. My address is 1346 Connecticut Avenue, NW., Washington, D.C. 20036.

Madam Chairman, I am appearing here, today, to offer an amendment to the Higher Education Act to require that blind or other severely visually impaired applicants for admission to college or university study be judged on their individual merits, to prohibit their exclusion from any course or curriculum by reason only that they are blind or severely visually impaired.

Provided with a sound and sensible understanding, not only of the restrictions of his disability, but of the possibilities of achievement still available to him in spite of his disability;

Provided with adequate training in the skills that have been devised to substantially reduce or even entirely eliminate the limitations of his disability;

And along with this most necessary and basic preparation, provided with the same opportunity for general education offered to others, followed by futher education in a specialized field of interest and aptitude;

Provided with all this, Madam Chairman, the blind person, today, is equipped to live a successful, constructive, and self-dependent life.

Denied all this, or any of this, Madam Chairman—

Denied a sound and sensible understanding of his impairment, its restrictions and limitations, the problems and perplexities it imposes upon him, the limitless possibilities of achievement still open to him—

Denied this restored belief in himself, this philosophic orientation, the blind person will stagnate and smother beneath the fallacies and fictions of the past—and of the present—and he will become as helpless and as hopeless as he believes he is.

Untrained in the techniques of independent travel—the blind person is chained for life to a chair or to the arm of his sighted family and friends.

Untrained in the competent use of braille—the blind person is illiterate, and cannot even record a telephone number or write down a street address.

Denied the chance to share in the educational opportunities afforded to others—the blind person remains ignorant of the wisdom and the knowledge and the experience of the ages, his intellect is untapped, his abilities and talents undeveloped, his possibilties of securing gainful and challenging employment, of living a worthwhile life, are unrealized and unrealizable. Today, Madam Chairman, properly trained and equipped, wisely and well-prepared—

The blind person has a more nearly equal chance to function fully and productively in our society.

But even today, Madam Chairman, improperly trained, inadequately equipped, poorly or unwisely prepared, or not trained or equipped or prepared at all—

The blind person is a non-participating spectator of life, a witness to the activities and accomplishments of others, just as he was 500 years ago.

Today, by the incontestable evidence of doing, by the conclusive proof of performance, blind men and women are demonstrating that a person without sight can function successfully in a sight-directed society, can compete successfully in a sight-geared economy.

Madam Chairman, blind persons, today, are functioning in every imaginable employment, in the common callings and occupations, in the ancient and the new professions, as self-employed persons in a great diversity of businesses and profitable endeavors.

Yet, Madam Chairman, far too often, when a blind person applies to a college or university to undertake a particular course of study, he is refused admission because he is blind.

Knowing little or nothing about the demonstrated competencies of blind persons—

Totally uninformed on the skills and techniques of blindness—

Deliberately ignoring the offered record of the personal triumphs of the individual blind applicant, admission officials of colleges and universities far too often refuse entry to their institutions to the blind applicant.

And these refusals are couched in differing forms:

The authoritative—"You couldn't possibly manage to do the work!"

The benevolent—"It's best for you not to try, it would be too much for you!"

The practical—"After you obtained your education, no one would hire you!"

What rash presumption for a person abysmally uninformed on matters concerned with blindness and the established history of the accomplishments of blind people, or of the determination or abilities of a particular blind person, to assert an authoritative knowledge he does not possess.

And what of the college admissions official who hides personal fear and professional doubt behind a false facade of kindliness, who would protect the misguided blind person from his own folly, who would shield the blind person from his mistaken belief that he can gain a normal life, that he can function and compete successfully, though blind, surrounded by sight.

And as to the "practical" college admissions official—

Although he is given the names of places already employing blind persons, although he is told of blind persons already working in the chosen field of study—as proof that this field is "practical" for the particular blind person—

Although the blind applicant for admission to college or to university graduate study assures the admissions official he will obtain his own employment, knowing full well the inability of the college placement office to help him break down the barriers of prejudice that will bar his way into employment—

The "practical" college admissions official will reject enlightenment and release of the college from its job placement obligation, and he will deny admission to the blind applicant, but he will not tell his private thoughts—

"Since I wouldn't hire you myself, I am certain no one else will!"

So, Madam Chairman, the blind applicant for college, prepared and willing to assume the heavy and extra burdens that securing higher education will place upon him because he must gain without sight and with much difficulty what others gain with sight and with relative ease—

This blind applicant to college is denied far more than admission to college when he is refused entry because he is blind.

He is refused the chance to follow his chosen destiny.

He is denied the chance to develop his talents for his and the nation's good.

He is denied, not just the chance for advanced education, he is denied the chance to live and prosper in accordance with his abilities and expended efforts.

No, Madam Chairman, the National Federation of the Blind does not say to you that any blind person should be admitted to any college or university simply because he is blind.

We do say to you that any blind person who is scholastically qualified, should be admitted to any college or university to pursue any course of study he chooses.

He should not be denied admission to any college or to any university to study any course offered to anyone else—always assuming scholastic requirements are satisfactorily complied with.

Nor do we believe that the presence of a blind student at a college or a university should in any way be burdensome to school authorities.

Apart from arrangements that must be made to allow a blind person to take tests and examinations, we believe a blind student should not seek or receive any other concession from college personnel.

The blind student should learn his way about the college campus and buildings, he should be able to go, alone, wherever he needs to go.

He should procure his own readers, arrange himself, for taping and brailing, and not expect school officials to do such things for him.

The blind student should be held accountable to meet the same standards of performance as sighted students.

He should expect no "breaks" because he is blind and he should be given no "breaks" because he is blind.

Madam Chairman, it is our belief, and think our belief to be based upon firm foundations of American tradition, that a blind person should be given a full and fair opportunity to succeed or fail as others have this opportunity, that assured success should not be required of the blind man, that he should not be protected from possible—or even probable—failure.

The opportunity to succeed or fail, we believe, is the kind of equality that should be available to blind persons as it is available to sighted persons.

And this equal opportunity must be recognized as a right offered to all, a right denied to none because of his lack of sight.

Perhaps, Madame Chairman, you are skeptical of the declaration of the National Federation of the Blind that any blind person who meets scholastic requirements, should be permitted to follow any college or university course of study he chooses, however generally held is the opinion that a person without sight couldn't possibly master such a course, however generally held is the opinion that a blind person couldn't possibly secure employment in the field of his choice.

I would advise you that, today, there are a substantial number of blind persons who are gainfully and competently engaged in fields of economic endeavor once thought by everyone—except by certain blind persons—to be permanently closed as sources of employment for blind persons.

Chemistry, physics, civil and electrical engineering, theology, law, education, history, psychology—these are but a few fields in which blind persons are successfully employed, yet, when these people sought entry into the preparatory courses of colleges and universities, they had to batter down doors that were barricaded against them, barricaded by myths and misconceptions, by ignorance, prejudice, and discrimination, by misdirected kindness and sight superiority.

But in spite of proof-by-doing success story after success story, blind people still encounter roadblocks to their ambition.

When they seek to enter the physical science field, invariably they are told:

"A blind person can't do the laboratory work."

When they seek to enter the social science field, invariably they are told:

"A blind person can't do the amount of reading required."

Therefore, Madame Chairman, to open up college and university doors and courses and classrooms to otherwise qualified blind persons, we offer the following amendment and urge that it be approved and included at some appropriate place in the Higher Education Act:

"It is declared to be the policy of the United States that no college or university or similar institution of higher learning which receives public funds authorized and appropriated under this Act shall deny admission to any course of study to any blind or severely visually impaired person who meets all scholastic requirements for such course of study."

In conclusion, Madame Chairman, Members of the Committee:

I would remind you—

Because of generally held and well-established attitudes in our society, that blindness is a condition of utter helplessness, that to be without sight is to be without hope, that sightlessness is synonomous with complete dependency—

Becaue of these and similar attitudes based upon misconceptions and misbeliefs authenticated by their acceptance for centuries—

No blind person needs to do a thing to try to help himself.

Since little or nothing is expected of him, he can try little and do nothing, and no one would think to condemn him for it, for he would be only acting as tradition indicates, he would be doing only what a blind person is believed capable of doing.

Safe from the hazards of street traffic, secure from the competition of employment, removed from the struggle of upward social movement—

The blind man could resign himself to a sterile, empty existence.

He could accept a sheltered corner in a home provided and maintained by others.

He could be completely freed from any responsibility for himself or from sharing with others the responsibility for determining society's decisions and directions.

But, Madame Chairman, you know very well the extent to which the overwhelming majority of blind people reject the protected and custodialized life.

You are fully familiar with the demand of blind people for the opportunity to live normally, to work in the regular employments, to share equally with their sighted fellows, not alone the rights and privileges available to others, but with equal insistence they demand full participation in the risks and uncertainties of every-day living.

Today, Madame Chairman, the person who enters the job market without specialized preparation is at a great disadvantage.

This is true of the man with sight.

It is even more true of the man without sight.

Without training and developed skills, without professional or other vocational qualifications, the sighted man and the sightless man find it increasingly more difficult to get the chance to earn a living.

Therefore, Madame Chairman, to refuse a blind man admission to undergraduate college or university graduate school is to refuse him the chance to prepare properly to provide for himself.

To deny a blind person specialized education and training is not just to compel him to seek less exalted kinds of employment—

To seek and do repetitive work in a factory when he is qualified for much more;

To seek and accept employment in a sheltered workshop when he has the ability to compete in the open economy;

And if the blind man is unable to obtain employment at all, if he is unable to obtain factory or sheltered shop or similar kinds of unskilled work, he will be doomed to a lifetime on public welfare—a lifetime lived at the expense of others, when he had so much to contribute toward the welfare and well-being of others.

Madame Chairman and Members of the Committee:

I urge you to consider carefully the issues I have raised.

I urge you to adopt the amendment I have offered.

This amendment as federal law will not assure the blind applicant for admission to college that he will no longer encounter obstacles because he is blind and only because he is blind.

But it will give him a weapon to combat such obstacles.

AMERICAN FEDERATION OF LABOR,
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., May 14, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education, House Education and Labor Committee, Washington, D.C.

DEAR MADAM CHAIRMAN: Enclosed is a statement of the AFL–CIO on the higher Education Act of 1971. (H.R. 7248)

We appreciate the opportunity to submit this statement on this important legislation and ask that our statement be made a part of the Record.

Sincerely,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

STATEMENT OF THE AFL–CIO

The AFL–CIO is pleased to have this opportunity to present to the Special Subcommittee on Education our views concerning H.R. 7248, the Higher Education Act of 1971. This is a bill with which we find ourselves in substantial agreement.

The bill extends a wide range of programs in the field of higher education. Nearly all of these are programs which we supported at the time they were first adopted and they have proved themselves well. Yet many of these programs are in peril as the result of an Administration which appears to see the federal role in higher education as little more than initiating research and providing financial assistance for students from the lowest-income families.

We particularly commend the sponsors of this bill for proposing not only an extension of existing legislation but also a completely new program of general assistance to institutions of higher education, as contained in Title VIII. We concur with the finding, as stated in the bill, "that an emergency condition has arisen which threatens the continued ability of many institutions of higher education to provide the education necessary to enable our citizens to make their full contribution to the Nation's economic and cultural development."

This language echoes the concerns expressed in a statement on higher education adopted by the AFL–CIO Executive Council on August 3, 1970:

"The United States today faces a serious crisis in higher education which may wipe out the progress we have achieved over the years and again create a situation in which only the rich will be able to afford college. The sons and daughters of working people will find college beyond their means if present trends continue.

"On the one hand the costs of higher education have increased sharply and on the other hand federal funds and private contributions for higher education have both diminished. The result is that students and their families are having to carry an increasing share of the financial burden through higher tuition."

The AFL–CIO is convinced that this crisis in higher education would be aggravated rather than ameliorated by a federal program which simply concentrated upon helping more low-income students enter colleges and universities. At virtually no institution does tuition cover the full costs of a student's education. While low-income students need aid, simply adding more students without adding institutional support would place serious new strains upon the already precarious financial condition of most colleges and universities. The most likely result would be a new round of sharp tuition increases making it more difficult than ever for students from moderate-income families to manage the financial burden of higher education.

The AFL–CIO has long been convinced that the most effective form of student aid is low tuition. This requires increased public financial support to the institutions of higher education. This bill proposes a major step forward in that direction and we welcome that step, applaud the sponsors of the bill for having the courage to take that step, and urge the Congress to follow their lead.

Among the existing programs which would be extended by H.R. 7248 is the higher education facilities construction program. We have been altogether dismayed at the efforts of the present Administration to phase out this vital program. If we are serious about increasing opportunities in higher education for disadvantaged young people, then there must be places for them to go, dormitories in which to live, classrooms in which to learn, and laboratories in which to work. The funds which have already been spent under the Higher Education Facilities Act of 1963 have been an essential component of improved opportunities for higher education, just as surely as have the various student financial aid programs. We urge this Subcommittee to support the continuation of that program as proposed in H.R. 7248.

The bill further would extend the wide range of student financial assistance programs in essentially their present form and with this too we find ourselves in agreement.

The present Administration has repeatedly expressed its desire to concentrate existing student loan programs on students from low-income families. We are in total agreement with the goal of increasing opportunities in higher education for disadvantaged young people. We cannot, however, agree with the means by which the Administration proposes to achieve that goal. The Administration proposals would have the effect of assisting low-income students by taking away benefits from other students who also have serious needs.

Attending college today presents a severe financial burden even to families which have a.. otherwise comfortable income. And if such a family has more than one college age child, that burden may become insurmountable. The Administration proposal to discontinue interest subsidies on loans to students from all except low-income families would have a serious effect upon a great many of our own AFL–CIO members who would be forced to pay unexpected and untold thousands of dollars in extra charges.

A possible further added cost is involved in the Administration proposal to require the Secretary of Health, Education and Welfare to set interest rates for student loans at no less than the average annual interest rate on all outstanding federal obligations. This could lead to a steady increase in the cost of student loans. H.R. 7248 provides far greater flexibility in setting the interest rate by stipulating that the average market yield on outstanding federal obligations shall be taken into consideration. We prefer the flexibility of H.R. 7248 to the possibility of a built-in interest escalation contained in the Administration proposal.

The AFL-CIO has disagreed in the past with the Chairman of this Subcommittee on the abolishment of the teacher forgiveness feature of NDEA loans. H.R. 7248 proposes an even more generous forgiveness than that in effect up until now, coupled with a restriction limiting the forgiveness to those who go into fields of critical need: schools serving large concentrations of low-income students and education programs for the handicapped children. This proposal seems to us an excellent compromise and we support it.

H.R. 7248 would continue and improve the wide range of student aid programs which have been well designed by Congress to meet the varying financial needs and circumstances of students. There are student aid programs particularly suited for low-income young people and there are programs designed to meet the quite different but equally real needs of young people from middle-income families.

By proposing to concentrate subsidized loans on low-income students, the Administration is in effect suggesting that we saddle low-income students with a mountainous debt at the start of their careers. Subsidize interest or not, we frankly question whether this is the most effective form of student aid for young people whom we are trying to help break out of the poverty cycle. Those students, we believe, can better be aided through the opportunity grants and through the work-study programs. The many student aid programs which would be continued by H.R. 7248 are not a miscellaneous collection of separate bits and pieces, but rather a comprehensive range of student aid programs designed to meet a variety of needs. We therefore support the approach contained in the bill.

The AFL-CIO has long had a particular concern for community colleges which, by bringing higher education within commuting distance of the students, greatly increases the accessibility of post-high school education for low-income students, students from minority groups, and students from workers' families. There is much in H.R. 7248 to strengthen this important component of American higher education. Extension of the Higher Education Facilities Act provides for the continuation of needed construction funds for the community colleges. The various student aid programs will continue to serve the needs of community college students with the important addition of amendments making student financial aid more available to part-time students, a considerable part of the student body in many urban community colleges. And finally community colleges, along with all other institutions, will be greatly strengthened by the new institutional grants established under Title VIII.

There is so much in this bill with which we agree that we regret the need to question some of its details. We nevertheless would raise serious questions about two provisions, both of them dealing with student aid.

Section 424-b would amend the college work-study program by providing that if there are insufficient opportunities for work-study, institutions may, with notice to the Commissioner of Education, use funds allocated for work-study to award educational opportunity grants to students who would otherwise be ineligible for them, but who are eligible for work-study.

Now, on the surface this seems reasonable enough and we have no quarrel with it. However, another amendment to the work-study program contained in section 421 would delete the words which give priority in the work-study program to students from low-income families. It seems to us that the two amendments together would mean that, purely on its own determination that there was no work available, an institution could transfer work-study funds and use them to provide educational opportunity grants to students from far more affluent families.

We would therefore suggest that the language permitting the transfer of the funds be retained in the present bill, but that the preference for students from low-income families be continued as a feature of the work-study program.

We also have serious doubts about section 443 which would exempt the various federal student loan programs from the provisions of the Truth-in-Lending Act.

Presumably the logic of this provision is that, since these student loans are controlled by federal legislation and regulation, there is no need to protect the borrowers against fraud. This is true, but protection against fraud is only one of the purposes of the Truth-in-Lending Act. The Act is also intended as a kind of consumer education to show borrowers exactly what credit does cost them. The same logic which would justify exempting student loans could also be used to exempt FHA loans, and this might well confront us with a situation in which the two largest loan transactions an individual is likely to make during his lifetime would be exempted from the necessity of spelling out what the transactions cost him.

We would therefore urge the deletion of section 443 from the present bill.

Although we have reservations such as these about some of the details of H.R. 7248, we feel that in general this is the kind of a bill which the Congress should enact at this time. It draws together in a single piece of legislation many of the concerns which the AFL-CIO has expressed concerning the proper federal role in the field of higher education. We urge this Subcommittee and the full Congress to pursue this approach.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 18, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
Committee on Education and Labor, Washington, D.C.

DEAR CHAIRMAN GREEN: I am enclosing a letter I have received from Mr. James Morton Smith, Director of the State Historical Society of Wisconsin.

As you will note, Mr. Smith is quite interested in the provision of H.R. 32 which would make Special Purpose Grants available to public and private nonprofit library institutions which provide library and information services to institutions of higher education on a formal, cooperative basis. Under the Higher Education Act of 1965, the State Historical Society of Wisconsin cannot qualify for any of the federal funds for libraries since it is not a part of the University of Wisconsin. However, I know that the State Historical Society has an extensive library, with particular emphasis on an American history collection, and is patronized quite heavily by the faculty and students of the University of Wisconsin. From Mr. Smith's comments, it appears that the State Historical Society and University of Wisconsin library have a close working relationship and he also indicates several of the Wisconsin State Universities, which receive funds under Title II-A of the Higher Education Act, are major users of the collection on interlibrary loan.

In view of the very substantial contribution the Wisconsin State Historical Society makes to higher education in Wisconsin, I hope you and your Subcommittee Members will consider amending the Higher Education Act of 1965 to make it, and any other similar institutions, eligible for both Special Purpose and Basic Grants.

Sincerely,

ROBERT W. KASTENMEIER,
Member of Congress.

RICHARD C. KNIGHT INSURANCE AGENCY, INC.,
Boston, Mass., March 22, 1971.

Hon. CARL D. PERKINS,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE PERKINS: It is our understanding that a provision in bill HR 5191 now before the Committee on Education and Labor would exempt college tuition loans from the provisions of the Federal Truth-in-Lending Act. As a leader in the field of educational financing since 1953, we wish to go on record as strongly opposing any such exemption.

Our reasons for this are as follows:

1. Next to the purchase of a home, the education of his children is the largest single expense a typical parent undertakes. He should have the protection on a large expense that the law gives him on a $300 loan.

2. It is very unlikely that even an astute parent would be able to calculate accurately the interest rate on a typical educational loan because of the multiple disbursements normally involved. A lender can provide this information relatively easily.

3. The past history of some lenders suggests that the rates charged, in the absence of a disclosure requirement, might be high. The enclosed excerpt from the *Congressional Record* of February 25, 1964, may be of interest in this regard.

We reject the argument of "burdensome paperwork" as a reason for exemption from this law. Lenders typically work from a known rate and determine payments required. This is relatively easy, and easy to disclose. On the other hand, complex mathematics is involved in determining the rate even when the dates and amounts of all disbursements and payments are known. We in our office had initial recalculation and reprogramming to perform when we changed from constant-ratio interest, as originally required under the Massachusetts Truth-in-Lending Act, to actuarial interest, as is now required. Having done this, however, the extra paperwork is minimal, and is protection to which the customer is entitled.

These are, however, three changes which we feel would help the customer to have a fuller understanding of what he was being offered:

1. On any multiple-disbursement loan on which insurance coverage is offered, this should be separately described and the charges therefor separately stated. The reason is that in many cases the cost of the insurance, and the coverage provided, are largely unrelated to the amount of loan for most of the period of the loan. Separate disclosures of the cost of borrowing money and the cost and benefits of insurance would give an undistorted picture of the program under consideration.

2. When lenders use "revolving credit" programs for scheduled expenses, such as educational financing plans, they should be required to make the same disclosures as other lenders not using the "revolving credit" vehicle, specifically as to total charges which will be involved.

3. On all multiple-disbursement loans for scheduled expenses, lenders should be required to show the amounts and dates of all such scheduled disbursements in the disclosure statement.

We ask that you take any appropriate steps to defeat the proposed exemption, and to enact the changes suggested. If I can be of any assistant to you in this, please let me know.

Sincerely yours,

DAVID H. KNIGHT, *President.*

MUNDELEIN COLLEGE,
Chicago, Ill., May 11, 1971.

DEAR MRS. GREEN: It was a great pleasure to me to find among the fine print somewhere the fact that you believe in and are sponsoring financial aid to part-time students.

As Director of a Continuing Education facility for mature women I have been long aware of the absurdity of confining aid and grants to full-time students only. The three hundred women whose aspirations I share are among the most receptive, serious-minded in the country, yet very few of them can take more than a course or two at a time. Their "part-time-ness" has no relation to their need or their appreciation of educational opportunities. Usually they have young children for whom they can make provision one or two days a week, but not five days.

I am sure that you agree that once a student's financial "worthiness" for a grant or a loan is established, it is irrelevant that it may take her six years to attain the education that other students get in three or four. In fact, I am sure it can be proved that those mature students who are not harried into becoming full-time participants in our program, or any other program, but can take time to savor their education while not depriving their households, are likely in the end to be better educated and to return the community "more for its money."

Please add me to your list of grateful followers, and keep me informed as to the progress of your congressional efforts in this matter.

Appreciatively yours,

MRS. JOHN BYRNE, *Director.*

HONOLULU COMMUNITY COLLEGE,
Honolulu, Hawaii, May 13, 1971.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: In 1940 I wrote a dissertation that recommended that much of the categorical aid for education then granted would achieve national purposes more economically if it were appropriated instead as general aid to education. It is very gratifying to me as a community college administrator to learn that this principle is embodied in your bill, H.R. 7248. The newer concept of distributing federal grants on the basis of output—units of study completed—is one of which I heartily approve.

If the legislation is approved and funded, it will encourage at Honolulu Community College a unified and coherent approach to several needed educational goals that now are provided in separate and uncoordinated projects: education for the unprepared student, programs for immediate employment, career training for beginning workers, and recruitment and counseling for able youth who now are dropouts. Moreover, since our students come from all parts of the nation and spend their working lives in many of the states, federal assistance with the total educational program is both just and reasonable.

Sincerely,

JAMES W. THORNTON, Jr., *Provost.*

IOWA WESLEYAN COLLEGE,
Mount Pleasant, Iowa, May 12, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education, Rayburn House Office Building, Washington, D.C.

DEAR MRS. GREEN: I am writing to express our strong support for H.R. 7248, the Higher Education Act of 1971, the bill which you and your colleagues are sponsoring in the House of Representatives.

With the expiration on June 30, 1971, of the Higher Education Act of 1965 and the Facilities Act of 1963, it is of crucial importance to our colleges to have extended and new federal aid to higher education legislation.

Your bill extends and imposes important programs provided for in the laws mentioned above. In continuing student financial aid programs we believe it is important to provide assistance not only for the low income student, but a recognition that youth from our middle income families are rapidly becoming a seriously disadvantaged group in their ability to pay tuition. This is a crucial problem when middle income families have two children in college at the same time.

We support Sec. 467, the provision in your bill which limits the authority of the Commissioner of Education to issue rigid guidelines regulating the allocation of student aid funds within a particular institution.

We enthusiastically support the new Title VIII for Higher Education General Assistance. Your formula for allocating a basic general support to each institution is as equitable as possible under the circumstances.

The assistance will help provide some financial stability to our hard pressed colleges in this period of general financial emergency. Many of our fine private colleges are threatened with the cost-price squeeze. We commend you and your committee for recognizing this critical problem and coming up with practical aid.

Very sincerely yours,

LOUIS A. HASELMAYER, *President.*

NORTHROP INSTITUTE OF TECHNOLOGY,
Inglewood, Calif., March 5, 1971.

Hon. CARL D. PERKINS,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PERKINS: I am deeply concerned that, as you may have noted from the Carnegie Commission, the small colleges (under 2,000) which produce so many of our outstanding citizens are on the verge of major financial catastrophe.

It would be wonderful for the nation, the students, and the faculties if someone would devise an emergency plan whereby the Federal Government would do financially for the small, private, nonsectarian teaching colleges what it did through research funds for the larger universities.

An excellent first step would be to enlarge substantially the student Economic Opportunity Grants and loan funds available. A combination of these work out well for serious students who are willing to incur partial future obligations in order to earn an education.

Another possibility would be a small payment per equivalent full-time students registered, as a few states do.

Sincerely,

HOMER GRANT, *President.*

FORDHAM UNIVERSITY
Bronx, N.Y., May 12, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: I am writing to express my firm support of H.R. 7248, the Higher Education Act of 1971. Your leadership in developing this bill and the cosponsorship of your colleagues on the Special Sub-Committee is to be commended. It gives encouragement to those of us who daily confront the task of maintaining our colleges and universities at this critical time.

Your bill continues and improves all the important provisions of the Higher Education Facilities Act of 1963 and the Higher Education Act of 1965. I hope that in continuing student financial aid programs, the needs of not only the low income student but also youth from middle income families will be considered. It is our experience here at Fordham that this latter group is fast becoming economically disadvantaged. Over 60% of all undergraduates at Fordham must receive some financial aid in order to remain in school.

We also support sec. 467, "Limitation on the Authority of the Commissioner," to mandate rigid guidelines as to precisely which students are eligible for federal assistance. Students will receive maximum benefit from the Federal program when the University is in the flexible position to tailor assistance packages to meet individual needs.

Finally, I wish to strongly commend the new Title VIII, Higher Education General Assistance. The formula proposed is as equitable as can be developed at this time. Funds provided under it will help in bringing financial stability, especially to our private institutions which are caught in a critical cost-price squeeze.

With appreciation for your efforts and concern on behalf of higher education I am

Sincerely yours,

MICHAEL P. WALSH, S.J.

STATE OF OREGON,
OFFICE OF THE GOVERNOR,
Salem, Oreg., May 17, 1971.

Mr. ROBERT M. ALCOCK,
Special Assistant, National Governors' Conference,
Washington, D.C.

DEAR BOB: You will find enclosed an analysis of HR 7248 as requested in your letter to Bob Davis late last month. I am, indeed, interested in this legislation and appreciate having the opportunity to run through it with my staff.

Best personal regards.

Sincerely,

TOM MCCALL, *Governor.*

ANALYSIS OF H.R. 7248 (EDITH GREEN'S OMNIBUS HIGHER EDUCATION BILL)

Our staff has conducted a brief analysis of the Omnibus Higher Education Bill introduced by Mrs. Green. The bill extends existing programs and adds new ones. The net effect of the Green Bill would be extremely significant for higher education. The bill would constitute the most significant reform of higher education legislation to date and would add new programs which would have tremendous impact. There are both strengths and weaknesses to Mrs. Green's bill.

STRENGTH

1. The Green Bill extends existing higher education categorical programs for five years. The programs move from fixed-sum to open authorization (except for student financial aid which remains a fixed-sum program).

The extended programs are:

(*a*) *Title I, Community Service and Continuing Education.*

(*b*) *Title II, College Library Assistance and Library Training and Research.* The bill rejects transfer of this program to the Library of Congress as requested by President Nixon. Our staff concurs with the Green approach.

(*c*) *Title III, Strengthening Developing Institutions.* Under this Title, 23 percent of the funds are set aside for community colleges. The figure is far too low; it should be about 50 percent.

(*d*) *Title IV, Student Financial Aid Program.* The Title encourages self-help, extends to the part-time student. Students attending proprietary schools are eligible—an addition with which we strongly agree. Institutional matching is eliminated for Educational Opportunity Grants, work-study, and National Defense Student Loans. Self-supporting students become eligible for grants. The bill emphasizes work-study programs. It features institutional determination of need. The Green modifications would substantially improve federally funded student aid programs.

(*e*) *Title V, Education Professions Development Act.*

(*f*) *Title VI.* Title VI extends international education, acquisition of equipment, networks for knowledge, public service education, etc. All are reasonably good programs.

(*g*) *Title VII, Higher Education FacilitiesAct.* This program will probably not receive any authorization except for the interest subsidy program.

2. New programs add a substantial amount of higher education program support at the Federal level. The new programs are:

(*a*) *Title VIII, Higher Education General Assistance.* This Title is by far the most significant new program. It is designed to provide institutional aid of $100 per student in lower division, $150 in upper division, and $200 in graduate courses. There is also a weighted formula to assist small institutions. The formula is $300 for each of the first 200 students, and $200 for each of the next 200.

(*b*) *Title IX, Interns for Political Leadership.* This Title would have the potential of putting the students in "real world" situations. It should help create an understanding of the "system" on the part of students.

(*c*) *Title X, Civil Rights Act.* The bill amends the Civil Rights Act to remove the exemption education now enjoyed under the existing federal law for those working in federally financed programs. Education has traditionally discriminated against women. The Title would make it much more difficult for sex discrimination to continue.

(*d*) *Title XI, Mineral Conservation Education.* This Title would tie in well with the "Livable Oregon" thrust of the State. It would be possible to create a State mineral resources conservation center, institute, or agency at an institution of higher education, probably Oregon State University.

(*e*) *Title XII, General Contracted Administration Procedures.* The Title would provide for uniform application procedures—a welcome relief for agencies dealing with federally funded programs.

(*f*) *Title XIII, College of the Virgin Islands and the University of Guam.* Both institutions would be designated land grant colleges. The Title would have no real significance for Oregon.

WEAKNESS

The weaknesses of the Green Bill are few compared to what it can do for higher education. Among the weaknesses are the following:

1. The bill moves away from the Nixon concept of special revenue sharing for higher education. However, Nixon has not yet put forth such a plan. The special revenue sharing plan has been limited to elementary and secondary education at the present time. Furthermore, most knowledgeable observers feel that special revenue sharing for higher education is a dead issue.

2. The bill does not include Nixon's concept of a national institute for education. This concept is very controversial among educators. Mrs. Green may be correct in leaving it out. Her reasons for doing so hinge on her fear that the institute would tend to support only those innovations which fit with a preconceived notion the administration might have as to what an educational innovation is. She was also fearful that the institute would probably be as poorly managed as the U.S. Office of Education.

3. The bill is silent on comprehensive statewide planning and management systems. Federal support in this area is badly needed if the necessary changes are going to come about in education.

4. The existing Education Professions Development Act needs more extensive change to permit training of educators in modern planning and management techniques in agencies other than colleges and universities if these systems are to have much impact on education.

SUMMARY

A number of omnibus higher education bills have been introduced. Our information is that the Green Bill with amendments has the best chance for passage. Our staff analyses of the various bills convinces us that it is also the best bill. We recommend that Mrs. Green be supported in her efforts to secure passage of HR 7248.

STATEMENT OF MRS. LUCILLE H. SHRIVER, FEDERATION DIRECTOR, NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC.

On behalf of the 180,000 working women who make up The National Federation of Business and Professional Women's Clubs, Inc., I am pleased to have the opportunity to present my organization's opinions on the two higher education bills before this Subcommittee, H.R. 7248 and H.R. 5191.

We are indeed gratified to see that both of these measures contain provisions which would prohibit discrimination based on sex, and it is to this issue, Title X of both bills, that I would like to direct my testimony.

Our organization, which is spread throughout each of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, consists of women working in all kinds of occupations—lawyers, clerks, saleswomen, secretaries, teachers, managers, and Ph. D's. The key element uniting all these members is an interest in and concern for the specific problems and needs they experience as working women. And, as working women, they are vitally interested in supporting legislation which will give women equality in employment and in education.

As evidence of this interest, we testified before this Subcommittee last summer in support of Section 805 of H.R. 16098. At that time, we supplied, in considerable detail, facts and figures clearly revealing that women are discriminated against in the work force. Because this Subcommittee's record from those hearings is so complete, we do not intend to repeat those figures. We would merely like to comment that the situation remains basically unchanged.

In the same testimony, we also pointed out the fact that educational institutions continue to perpetuate discrimination against women, particularly in the graduate schools. For example, although women now constitute 40 percent of the enrollment in higher education, fellowships and scholarships are awarded more frequently to men students—even proportionately more frequently. Women may be welcome to major in the Humanities or Education, but they often are discouraged from pursuing studies in science, mathematics, business administration—areas in which they could expect better positions and higher pay in our technological society.

In a less obvious, direct fashion, schools reinforce family and societal patterns which fashion discrimination from kindergarten through graduate school. Women are subtly (and sometimes not so subtly) discouraged from pursuing careers other than marriage and home. They are not counselled to seek professional careers in the way that men are, nor are women encouraged in professional excellence. Too often, teachers and textbooks reinforce stereotype male and female images that inhibit personal development and fulfillment (for males and females both, for that matter, since poetic and artistic talent is often discouraged in men as being too feminine, in the same manner as science and engineering are discouraged in women).

While we do not hold educational institutions entirely to blame for this situation, they could and should assume some leadership to remedy the attitudes which exist in our society. Certainly, strong legislation in this area by Congress would go a long way toward helping in this regard.

I would like first to address my remarks to H.R. 5191 and then to H.R. 7248. Let me say at the outset that, with one very major exception, we prefer H.R. 7248 because of the greater breadth and depth of its coverage.

We note with regret that, whereas the higher education bill we testified in support of last year. H.R. 16098, provided that sex would be one of the prohibited grounds for discrimination under *any* program or activity receiving Federal financial assistance, both of the bills before you now limit this prohibition to any *educational* program or activity receiving Federal financial assistance. We would much prefer to see the stronger language made part of this year's higher education bill. There should be no areas where financial assistance from the United States Government goes to activities which discriminate on the basis of sex. The simple addition of the word "sex" to Section 601 of Title VI of the Civil Rights Act of 1964 would easily accomplish this.

Section 1001(a) of H.R. 5191 states: "No person in the United States shall, on the ground of sex, be discriminated against by a recipient of Federal financial assistance for any education program or activity." Assuming that coverage will not be broadened beyond the area of education under any bill reported out of this Subcommittee, we support this statement.

However, the next sentence goes on to narrow the ban on sex discrimination by allowing such discrimination "where sex is a bona fide ground for such differential treatment." I must confess we are at a loss to understand what this sentence means.

What is a "bona fide ground" for discrimination based on sex in Federally-assisted education programs? Does this mean, for example, that women could be prohibited from taking courses in automobile mechanics because this is traditionally a male area? Could it mean that a man would be barred from studying home economics? We cannot think of one instance where sex could be a "bona fide ground" for discrimination in education.

One need only to look at the "bona fide occupational qualifications" (bfoq) exemption under Title VII of the Civil Rights Act of 1964 to see what problems could be created by the exemption in H.R. 5191. The bfoq provisions have caused great confusion and endless litigation which has resulted in completely opposite opinions by different courts. We can easily envision a similar future if this provision were to remain in H.R. 5191.

Section 1001(b) of H.R. 5191 deals with employment discrimination under Federally-financed education programs or activities. We believe that a better method of wiping out employment discrimination is found in Section 1002 of H.R. 7248.

Under Section 701(b) of the Civil Rights Act, state or political subdivisions thereof are specifically excluded as "employers". Section 1002(a) of H.R. 7248 would change this by extending Title VII coverage to "employees of a State, or a political subdivision thereof, employed in an educational institution." And Section 1002(b) calls for amending Section 702 of Title VII to remove the present exemption of teachers from the equal employment opportunity requirements embodied in that section.

Since women in large numbers major in education and pursue careers in that field, we feel this coverage of education is especially important. In 1967, 38 percent of bachelor degrees earned by women were in education. Education also accounted for 51 percent of master's and 29 percent of doctor's degrees earned by women that year. At the bachelor level, 74.9 percent of all Education degrees were conferred upon women in 1966–67.

Teaching is the largest single professional occupation for women. The 1.7-million women noncollege teachers in April 1968 equaled 42 percent of all professional women. In 1965–66 about 70 percent of all public school teachers were women. In 1968 in elementary schools, about 85 percent of all teachers were women; in secondary schools, 46 percent.[1]

The Earnings Gap Report produced by the Women's Bureau of the Department of Labor notes the unequal pay accorded men and women college professors at the same academic rank. In 1965–66, the latest data available, women full professors had a median salary of only $11,649 as compared with $12,768 for men. Comparable differences were found between the salaries of women and men associate professors, assistant professors, and instructors.[2]

Teachers' salaries for elementary and secondary education, reported by the National Education Association, are not shown separately for men and women.

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[1] *1969 Handbook on Women Workers*, Bulletin 294, Women's Bureau, U.S. Department of Labor (Washington, D.C., GPO 1969), pp. 192–3, 98, 158–9).

[2] *Fact Sheet on the Earnings Gap*, Women's Bureau, U.S. Department of Labor, 1971, p. 4.

We do notice, however, an increasing trend away from administrative positions—the better paying and more responsible positions—for women. There has been a definite decline in the percentage of women holding these positions.[3]

I would like to note here that, although we wholeheartedly support Section 1002(a) of H.R. 7248, we would go one step further and remove the exemption of Title VII coverage of all State and local government employers. Earlier this year we made the same recommendation when we appeared before the House General Subcommittee on Labor in support of H.R. 1746, a bill granting cease and desist powers to the Equal Employment Opportunity Commission. At that time, we spoke in support of a provision which would extend the Commission's jurisdiction to employees of all state and local governments.

We would also like to suggest, although it is not part of the legislation at hand, that Title IV of the Civil Rights Act of 1964 be amended to bar sex discrimination in education as well as other kinds of discrimination. Women students as well as women teachers need this protection. Recent instances of sex discrimination in our schools involving the University of Virginia and a New York City high school point to the fact that public education is discriminating against women.[4]

In an article published in the *University of Chicago Law Review*, the educational and psychological dangers of sex discrimination in schools was compared to discrimination suffered by minority groups. We feel that this is an area of sex discrimination little realized, explored, or adequately feared.[5]

Under Section 1003 of H.R. 7248, discrimination against women would be added as a subject of investigation and study by the Civil Rights Commission. We strongly support this move. We are familiar with the exceptional research and publications of the Civil Rights Commission. The Commission has the power to investigate complaints of discrimination, to study and collect information concerning legal developments constituting a denial of equal protection of the laws, to appraise Federal laws and policies with respect to equal protection of the laws, to serve as a national clearinghouse for information in respect to denials of equal protection of the laws, and to submit reports, findings, and recommendations to the President and the Congress.

Certainly the instances, implication, and ramifications of sexual discrimination in our society sorely need the objective, respected, and exhaustive study the Civil Rights Commission offers.

Our organization believes that one of the most effective instruments in our effort to make our society one of full opportunity for persons of all races, creeds, national origin, and sexes is information concerning the actual facts of discrimination. Many men and women are totally unaware of the extent and nature of sexual discrimination. Therefore, we believe that the Civil Rights Commission should be empowered to investigate, review, and report on sexual discrimination in our society.

Section 1004 of H.R. 7248 would amend the Fair Labor Standards Act to provide equal pay for equal work for executive, administrative, and professional employees. We very strongly support this provision, which in our opinion is long overdue. On April 29th of this year we presented testimony before the House General Subcommittee on Labor in support of a similar provision in H.R. 7130. We would like to include that testimony as an attachment to our statement.

We are also in support of Section 1005 of H.R. 7248, which would include pre-schools under Subsection (1) of section 3(r) of the Fair Labor Standards Act. We think the Act's coverage as an "enterprise" of elementary and secondary schools and institutions of higher education should be extended to pre-schools.

Thus far we have indicated support for Sections 1002 through 1005 of H.R. 7248. When it comes to Section 1001, however, we have grave misgivings.

As we mentioned earlier, we would much prefer the provisions of last year's higher education bill, H.R. 16098, in that inserting the word "sex" in Section 601 of Title VI of the Civil Rights Act of 1964 would have prohibited discrimination on the basis of sex in all Federally assisted programs and activities.

However, what disturbs us much more about H.R. 7248 are the exceptions contained in Section 1001(b)(1). This section permits discrimination on the basis of sex in educational institutions in existence on the date of enactment of this subsection where "substantially all of the students are of the same sex."

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[3] *Wanted—More Women in Educational Leadership*, The National Council of Administrative Women in Education, The National Education Association, c. 1965.

[4] *Kirstein v. The Rector and Visitors of the University of Virginia*, Civil Action No. 220–69–R, E.D. Va. 1970, and New York Times, May 9, 1969, p. 21.

[5] "The Constitutionality of Sex Separation in School Desegregation Plans", University of Chicago Law Review, XXXVII, pp. 296–327.

First, we would like to know what the term "substantially all" means. We assume it applies to schools where 99 percent of the students are of the same sex. Would "substantially all" also mean 75 percent? What would the effect be on schools where 50.1 percent of the students were of the same sex? Where is the line to be drawn? It seems to us that the phrase "substantially all of the students are of the same sex" is needlessly confusing and would lead to extensive and unnecessary litigation.

Even more objectionable is that Section 1001(b)(1), in our opinion, would establish by Act of Congress that sex is a reasonable classification for discrimination. We believe that financial support from the Federal Government to schools which discriminate in their admissions policy on the basis of sex violates the Equal Protection Clause of the Fourteenth Amendment. If this portion of H.R. 7248 is enacted, Congress will, in effect, be stating that it actively supports such discrimination. This would establish a dangerous precedent which could be extended by the courts to sex discrimination in areas outside the field of education.

Our organization believes most strongly that under no circumstances can sex be a reasonable classification for discrimination under the Fourteenth Amendment.

It has been consistently held that Government financing of schools which discriminate on the basis of *race* is prohibited by the Constitution's provision for equal treatment of all citizens. We would make the obvious parallel that separation of children by sex may also be an impermissible classification, arbitrarily and irrationally imposed. Women have been discriminated against in the past, but this does not mean that the Government should now aid schools which separate on the basis of sex. Such aid would tend to reinforce and multiply the adverse effects of the prior discrimination.

Many of the reasons put forth on behalf of one-sex schools are the same ones presented for the separation of the races in school. These arguments—greater harmony between the classes separated, less conflict and tension, and an increased learning rate for both groups—were rejected by the Supreme Court in *Brown v. Board of Education*. The importance of education in modern society was emphasized by Chief Justice Warren in that decision:

"Today, education is perhaps the most important function of state and local governments. . . . It is required in the performance of our most public responsibilities. . . . It is the very foundation of good citizenship. Today it is a principal instrument in awakening . . . cultural values, in preparing . . . for later professional training, and in helping . . . to adjust normally to his environment. . . . Such an opportunity, where the State has undertaken to provide it, is a right which must be made available to all on equal terms." [6]

Separate but equal has been proven impossible in race relations; in our opinion it is equally untenable in sexual spheres. The lives of men and women overlap and interweave from infancy to death, and school should be no exception.

The all-male institution would be relatively easy to defend if it emerged from a world in which women were established as fully equal to men. But it does not. Many factors interwoven into the all-male school system contribute to perpetuating a woman's disability to succeed in the employment market—traditional excellence of many all-male schools and the concomitant prestige value; larger endowment and extent of facilities; standing in the community of alumni; "old school ties"; direction and scope of the course curriculum; and the mental dichotomy caused by academic interaction with men while contact with women is solely on a social level.

On a practical level, the discrimination practiced by all-female schools is less invidious than that of their male counterparts, since the objective desirability of attendance is lower. In all probability, an open admissions policy at a heretofore women's school would bring fewer male applicants than a comparable move by a men's school would bring women.

However, for the Government to give financial aid to any school which prohibits members of the opposite sex from participating in its educational program is to deny members of both sexes equal protection under the law.

Current court decisions on this topic are varied. The pressure of a law suit encouraged New York to admit a girl to its formerly all boys Stuyvesant High

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[6] *Brown* v. *Board of Education*, 347 U.S. 483 (1954).

School. But decisions of a Texas court have upheld the exclusion of women from a state supported college.[7]

Two recent three-judge courts have taken conflicting approaches to the issue of Fourteenth Amendment protection for women desiring admission to state universities which discriminate on the basis of sex. In a case cited earlier in our statement, the panel of judges held that the practice of the University of Virginia to bar admission or place quota restrictions on the basis of sex violated the Fourteenth Amendment rights of the plaintiffs. The opposite view has been taken by a Federal court in South Carolina.[8]

Because of the scarcity of case law on the subject, judicial direction cannot be said to have been definitely given. However, the trend in the law is to recognize classification on the basis of sex to be unreasonable and therefore in contravention to the Fourteenth Amendment.

In fact, after considerable delay, the Office of Federal Contract Compliance of the Department of Labor has issued regulations calling for an affirmative action program in higher education to alleviate discrimination leveled against women. These regulations, developed to implement Executive Orders 11246 and 11375, are guidelines for Federal contract compliance, and are limited to Government contractors. Those colleges and universities which have contracts with the Government come under these provisions.

Within the last two years, a large number of sex discrimination complaints have been filed against these educational institutions. For an account of some of these actions plus a brief but up-to-date discussion of sex discrimination in higher education, may I refer you to the attached clipping from the most recent issue of Newsweek magazine dated May 17, 1971.

Briefly, now, I would like to comment on the remaining two provisions of Section 1001. An exemption from the ban on sex discrimination is provided in Section 1001(b)(2) for five years from the date an educational institution begins the process of changing from being an institution which admits only students of one sex to being an institution which admits students of both sexes, but only if it is carrying out a plan for such change which is approved by the Commissioner of Education. While we feel that it is not unreasonable for some time to be given for such a changeover, even assuming that Section 1001(b)(1) is removed from the final version of H.R. 7248, we do think that five years is excessive. Since we cannot envision any major disruption that could be caused by such a changeover, we think that one or possibly two academic years would surely be adequate.

Section 1001(b)(3) provides an exemption from the ban on sex discrimination to "an educational institution which is controlled by a religious organization and where the application of this subsection would not be consistent with the religious tenets of such organization." We do not wish to take any position on this provision, since we have no knowledge of educational institutions of this type controlled by a religious organization which receives Federal financial assistance.

In conclusion, then, we would like to state that, of the sex discrimination provisions contained in the two bills now before the Subcommittee, it is our opinion that with one very major objection, H.R. 7248 would go farther toward solving the problems of discrimination against women in education.

Congress, in the name of providing equal opportunity in education for women, should not erect unconstitutional barriers such as those provided in Section 1001(b)(1) of H.R. 7248. We cannot urge this Subcommittee too strongly to remove this discriminatory provision before reporting favorably on H.R. 7248.

Thank you.

[From Newsweek, May 17, 1971]

Women Profs Fight Back

Joe Porter was a student at Harvard and Mary Gardner at Radcliffe when they met. Joe and Mary dated, studied together and graduated together—both magna cum laude. They attended graduate school at the University of California at Berkeley, taking the same courses while pursuing identical Ph. D.'s in Shakespearean studies, and finally got married. Last year they sent off job applications to 100 colleges: the only difference in their academic records was that Mary's was slightly better. Joe received a flock of preliminary responses, and eight firm offers of teaching positions, before accepting a post at the University of Virginia. Mary did not receive a single job offer. None of the colleges explained why, but the Porters believe they know the reason. "Mary is a woman and I'm a man and there's no other way to explain it," says Joe Porter.

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[7] *Allred* v. *Heaton*, 336 S.W. 2d 251 (Tex. Civ. App.), cert. denied 364 U.S. 517 (1960); *Heaton* v. *Bristol*, 317 S.W. 2d 86 (Tex. Civ. App.), cert. denied 359 U.S. 230 (1958).

[8] *Williams* v. *McNair*, 316 F. Supp. 134 (1970), cert. denied, 39 L. Wk. 3384.

The Porters' experience is particularly striking, but variations on it can be found across the U.S. Discrimination against women within the academic community is not only statistically demonstrable but traditionally acceptable. "Women," says Goucher College sociologist Alice Rossi, "are the drones in the academic hive. They are taken for granted, subjected to subtle exclusion, refused tenure or promotion, judged expendable and let go."

Host: Now, however, the women of academia, like women in many other fields, have begun to fight back. Since Professor Rossi organized female sociologists in 1969, women in several other major academic disciplines have turned the the meetings of their learned societies into sounding boards for their grievances. In addition, women at a host of the nation's most prestigious universities have mounted concerted efforts to end what they see as discrimination in hiring and promotion.

The keystone of their campaign is a 1967 Presidential order that forbids discrimination at educational institutions that hold Federal contracts. At the University of Michigan, for example, a determined group called FOCUS filed Federal discrimination charges last spring. After U.S. investigators found the complaint valid, the university submitted a new policy plan, which was rejected as inadequate; an amended version of the plan is still being negotiated, but FOCUS remains unsatisfied. "They discovered a lot of evidence that the university was guilty," says Ann Arbor attorney Jean L. King, who heads the drive. "But the only good thing to come out of all this so far is a greater consciousness of the woman's role in society." Federal officials have already settled a similar complaint against Harvard, and they are currently investigating some 200 other colleges and universities that have been charged with discriminating against women, including such schools as Yale, Pennsylvania, Chicago, and Stanford.

Ladder: In pursuing their battle for equal treatment, the women do not lack for hard facts. Although women comprise about one-fifth of the faculties of the nation's 2,600 colleges and universities, they are bunched at the bottom of the academic ladder. To begin with, most women teach in the least prestigious institutions—junior colleges, small liberal-arts colleges and state-teacher colleges. Wherever they teach, they are for the most part restricted to the lowest-ranking positions—as untenured instructors and teaching assistants. And more often than not they are shunted into "female areas," such as education, library science, nursing and social work.

Only about 2.6 per cent of the department chairmen at U.S. colleges and universities are women. At Stanford, where 15 per cent of the graduate students are women, and at Columbia, where the figure is 20 per cent, women hold only 2 per cent of the full professorships. At Berkeley, women earned 52 per cent of the doctorates in French awarded from 1967–69, but held only 3.3 per cent of the faculty positions in that department. Berkeley, in fact, has not appointed a woman to its faculty in music since 1943, in sociology since 1925, in psychology since 1924. Harvard's faculty includes 582 male tenured full professors—and three women.

Predictably, these stunning discrepancies are seldom admitted by male academies to reflect discrimination. Instead they are explained away on a variety of other grounds. Perhaps the most effective deterrent to a woman's progress on campus is the rule, written or unwritten, against "nepotism" at many institutions. A large percentage of all women Ph.D.'s have husbands who are also Ph.D.'s, and if the husband holds a teaching job at an institution, the wife usually must either work elsewhere or take a part-time position. Says Berkeley women's leader Shirley Zimmerman: "No case has yet been found where the male member of the team has been discriminated against."

Angry: Many academic leaders insist, too, that women are unreliable because they often leave jobs to follow their husbands to new positions. And, inevitably, the charge is made that women want to quit, or take leave, to have and care for children. This attitude persists despite a recent study showing that 91 per cent of all women who earned doctorates in 1958 were working in 1965 (the last year studied) and 79 per cent of them had been continuously employed. Furthermore, some department chairmen argue that they are unable to find qualified female candidates for faculty positions. To angry women this sounds hypocritical. "They have no business giving us Ph.D.'s," says Susan Ervin-Tripp, professor of rhetoric at Berkeley, "and then saying women are not qualified to be hired."

To overcome these obstacles, women in academia urge a series of new policies. One idea is to develop a system of tenure and promotion for part-time faculty members, so that women can enjoy the benefits of academic security and status while maintaining their family responsibilities. Another proposal calls for a system of maternity leases, coupled with the creation of university-sponsored day-care centers for faculty children.

Ultimately, of course, women in the academic world run into the same hurdle as do women who seek success in any worldly occupation—the notion that they have no business competing aggressively with men. "Boys are taught from the beginning about competing, winning, striving," sums up UCLA dean of women Nola Stark. "By contrast, the great majority of American families still want the girls to be 'happy.' But when you take a bright girl and make her 'happy' by letting her mind rot, you've got a problem."

STATEMENT OF MRS. LUCILLE H. SHRIVER, FEDERATION DIRECTOR

Mr. Chairman, we want to thank you for giving us the opportunity to testify in favor of H.R. 7130. Representing 180,000 working women in all 50 states plus the District of Columbia, Puerto Rico, and the Virgin Islands, The National Federation of Business and Professional Women's Clubs, Inc., strongly supports changes in the Fair Labor Standards Act which include higher minimum wage, extension of coverage of public employees, expanded overtime coverage, and modification of wage rates for employees in Puerto Rico and the Virgin Islands. These actions are long overdue.

We are particularly pleased to see, as part of this package, the proposal to extend equal pay for equal work to women in executive, administrative, and professional positions, and it is to this portion of the bill that we will direct the bulk of our testimony.

Since its very beginnings as an organization, BPW has urged equal pay for equal work in all jobs. We supported the very first major Equal Pay Act, which was introduced at the end of World War II, and we continued our support until 1963, when a bill was finally passed.

That victory, unfortunately, was only partial, because something was left out which is of great importance to thousands of working women—the coverage of executive, administrative, and professional employees.

As Congressman Frelinghuysen of New Jersey pointed out during the debate on the House floor, attachment of the equal pay provision to the Fair Labor Standards Act was the "catalyst" which made victory possible. But it also meant that equal pay coverage would be co-extensive with minimum wage coverage. As a result, equal pay is required for only about half of the jobs in America today, according to Mr. Robert Moran, Administrator of the Wage and Hour Division, U.S. Department of Labor.[1] This is the situation that we would change.

Actually, the original bills which BPW and others supported contained no provision which would have resulted in those bills becoming part of the Fair Labor Standards Act. Therefore, there was nothing which would have exempted executive, administrative, or professional employees from equal pay protection.

Only *after* the completion of committee hearings in 1963 did the Chairmen of the Labor Subcommittees (who had held hearings in the House and the Senate) find that they did not have the votes to report out the Administration's original proposal, and that the bills would die in committee.

Since there was basically little choice—partial equal pay protection or none at all—BPW and other women's organizations decided we should take what we could get for the time being. We hoped that action would be taken later to restore the protections of the equal pay provisions under the Fair Labor Standards Act to executive, administrative, and professional employees at the earliest possible date. It was a question of half a loaf or none. We took that half a loaf. We are before you now, as we were last year and, in fact, at every available opportunity since 1963, asking for the rest of that loaf.

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[1] Robert D. Moran, "A Rate for the Job Regardless of Sex: The Mandate of the Equal Pay Act of 1963", Speech at Equal Pay Act Briefing Conference, May 11, 1970, Washington, D.C.

H.R. 7130 would bring the protections of the Equal Pay Act to those executive, administrative, and professional employees who have every right to feel "betrayed" by the action taken by the Congress when the Equal Pay bill was made part of the Fair Labor Standards Act in 1963.

The point has been raised that granting cease and desist powers to the Equal Employment Opportunity Commission (EEOC) could take the place of extending equal pay coverage under the Fair Labor Standards Act. We *do not* agree.

Earlier this year, we testified in support of H.R. 1746, which would give EEOC cease and desist powers, and we urged that the Commission be given the financial support needed to carry out these additional duties. However, the type of enforcement proceedings and the conditions under which complaints are registered are very different under equal pay legislation from under Title VII of the Civil Rights Act of 1964, even if enforcement powers were to be provided.

The Equal Pay Act is administered by the Wage and Hour Division of the U.S. Department of Labor. This agency is generally able to obtain compliance. If there is a refusal to comply or a deliberate violation of the law, the Secretary of Labor may obtain a court injunction to restrain continued violation or withholding of back wages legally due. The Secretary also may bring suit for the back wages upon written request of an aggrieved employee.

Of great importance is the fact that complaints are treated in strict confidence and, unless court action is necessary, the name of the aggrieved party is not revealed. Under Title VII such anonymity is impossible. This point was commented on by the President's Task Force on Women's Rights and Responsibilities, which said:

"This is particularly important to women who have achieved professional, executive, and administrative positions, which they are very reluctant to endanger. Such women do not have the protection against reprisal provided by union contracts."[2]

Enforcement of the Equal Pay Act is active, rather than passive. The Wage and Hour Division has nearly 1,000 compliance officers throughout the country who regularly check places of employment for compliance with the law.[3] In fact, the strength and effectiveness of enforcement proceedings under the Fair Labor Standards Act was one of the compelling reasons for BPW's support for attaching the Equal Pay bill to the Fair Labor Standards Act.

The success of the Wage and Hour Division's actions under the Equal Pay Act was pointed out by Senator Hart earlier this month when he introduced S. 1529, a bill which contains provisions similar to those in Section 209 of H.R. 7130:

"Since the effective date of the Equal Pay Act in June 1964 through the end of February this year, nearly $28 million has been found owing in back wage underpayments to about 75,000 employees, almost all of them women. Although more than 95 percent of the equal pay cases are settled without recourse to litigation, legal action is sometimes necessary. To date, more than 200 court cases have been filed by the Labor Department in behalf of aggrieved employees. About 75 percent of these have been decided or settled. Others are still pending. In the landmark Equal Pay Act case involving the Wheaton Glass Co., of Millville, N.J.—which the Supreme Court declined to review on May 18, 1970—an amount of over $850,000 found owing in back wage underpayments to more than 2,000 women employees has already been paid."[4]

In spite of the advances made by the Equal Pay Act, inequity in pay between the sexes continues. A comparison of the median wage or salary incomes between 1955 and 1969 of men and women who worked full time reveals not only that incomes of women are consistently less than those of men, but also that the gap has widened in recent years.

In 1955, women's medium income of $2,719 was 63.9% of the $4,252 received by men. This dropped to a low in 1967 of 57.8%. In 1969, the most recent year for which figures are available, women's median earnings of $4,977 were only 60.5% of the $8,227 received by men—not even as high as the 60.8% figure reported for 1960.

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[2] "A Matter of Simple Justice," The Report of the President's Task Force on Women's Rights and Responsibilities, April 1970, p. 10.

[3] "Equal Pay," U.S. Department of Labor, WHD Publication 1320 (1970), p. 2.

[4] Congressional Record, Apr. 14, 1971, p. S4760.

The type of occupation does not make too much difference. In 1969, this same report shows that women professional and technical workers—those most likely to be found in the administrative, executive, and professional categories under the Fair Labor Standards Act—had a median wage of $7,309, compared with $11,266 for men. In other words, these women are being paid 64.9% of the salaries men in similar positions are earning. Women clerical workers, sales workers, operatives, and service workers all had an income of between 40.5% and 65.1% of what men received in the same categories.

The radical difference in wages for men and women today is revealed also by the fact that only 6% of men full time workers in 1969 earned less than $3,000 while 14% of the women were at that pay level. And 51% of the women, but only 16% of the men, earned less than $5,000. At the other end of the scale, only 5% of the women, but 35% of the men, had earnings of $10,000 or more.[5]

The average working woman today is 11 years older (39 years of age) than when women got the suffrage, and she is married instead of single.[6] Women today work for the same reasons as men, whether married, single, widowed, divorced—namely, to support themselves, their families, and other dependents.

But the fact is that, with only one exception, the more education a woman has, the greater the gap in her income as compared with men who have similar educations. In 1969, the medium income for full time working women with less than eight years of elementary school was 62.5% that of men with the same educational background. If a woman had four years of high school, her median income was only 58% that of men in the same category. It was even worse for women with four years of college, for they earned $7,396, as compared with $12,960 for men, or 57.1% of the men's salaries. Only women with five years or more of college came close—they earned a medium income equalling 67.2% that of men in their educational group.[7] From these figures, one might ask: Are parents wasting hard-earned money by sending their daughters to college?

As the Labor Department study points out, the above figures reflect the fact that women are more likely than men to be employed in low-skilled, low-paying jobs. Verification of this also comes from the 1970 survey on the *Employment of Women* conducted by the American Society for Personnel Administration and The Bureau of National Affairs, Inc. Both surveys indicate that women are placed in less challenging, less responsible, and less remunerative positions on the basis of their sex. H.R. 7130 does not deal with this matter directly.

Extension of the Equal Pay Act to executive, administrative, and professional positons would encompass those individuals who have the same background, experience, and education, but who make different wages. This is not a problem of different jobs, or of being secretaries rather than managers, but of receiving different, i.e., *less* pay for equivalent work, with sex as the sole determinant of that difference.

It is particularly degrading to women who, through initiative, hard work, and educational expenses, become qualified to fill administrative, executive, or professional positions, only to find themselves earning less than similarly qualified men simply because they were born the "wrong" sex and their achievements have placed them outside the equal pay protections of the Fair Labor Standards Act.

When our organization was founded in 1919, women constituted 20.4% of all workers. Today they make up 37% of the labor force. Forty-three percent of all women work, and women have accounted for the largest growth percentage in the labor force since 1947. The number of women in the civilian labor force has increased by 75% between 1947 and 1968, while the number of men rose only 16%.[8]

In proportion to their increasing participation in the growth of the economy, American women are certainly not receiving a fair share of the profits. Quite the contrary.

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[5] Fact Sheet on the Earnings Gap, Women's Bureau, U.S. Department of Labor, 1971, pp. 1–2.

[6] Changing Patterns of Women's Lives, Women's Bureau, U.S. Department of Labor, 1970.

[7] Fact Sheet on the Earnings Gap, p. 3.

[8] 1969 Handbook on Women Workers, Bulletin 294, Women's Bureau, U.S. Department of Labor, 1969, pp. 3–15.

Mr. Chairman, we urgently request the passage of H.R. 7130. The National Federation believes that there is no justification or reason for sex discrimination at any level of employment. By Executive Order and by Congressional mandate, our nation is committed to equal employment opportunity for all people. That should include administrative, executive, and professional women.

HAMEL, MORGAN, PARK & SAUNDERS,
Washington, D.C., June 10, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: This is in response to your May 28 letter to John H. Mathis, President of United Student Aid Funds, Inc. Mr. Mathis appreciates very much the opportunity to comment further on the legislation before your Subcommittee. He asked me in the interest of the time pressures on you to relay these views for him—rather than subject them to the mercies of current mail service from New York.

Your May 28 letter asks USA Funds' views of the provision in H.R. 7248 requiring the holder of a defaulted students note to take it to judgment before submitting it to the Office of Education for payment. USAF believes that in practice this provision would prove unduly cumbersome, and expensive. It adds a dimension to the repayment process that would prolong it and unduly stereotype it. Also, in the light of USA Funds' special experience it would seem to be unnecessary as well. On that aspect, Mr. Mathis asked me to enclose for your perusal a separate copy of the appendix attached to the testimony he filed earlier. This appendix reviews USAF's experience with the problem of defaulted loans. I think you will agree on reviewing it that the collection efforts stimulated by USAF have produced exceptionally fine recovery on loans that became delinquent. In USAF, the mere notification from a lender that some payments have been missed is not sufficient. The lender is required to make a substantial collection effort, and USAF aids in this effort. If that lender effort fails to collect, USAF pays the loan and then makes its own supplemental collection effort. As you will see from the appendix, this has dramatically cut back the final USAF loss figure. We think some version of the same practice could be utilized by the Federal Government. We think, on the other hand, the judgment provision might well discourage efforts like these. Obviously, the judgment requirement would add new cost factors. Besides the cost of the judgment proceedings, there would be cases where a lender could not be paid because he could not secure a judgment. Summing up, USA Funds thinks it might be wiser to lean on a proven system—adding a new provision only if the other system fails to produce for the Federal Government as it has for USAF.

Mr. Mathis reminds me that this provision as now written applies only to Federal loan insurance. It would not apply to State programs nor to the nationwide private program of United Student Aid Funds. If it is enacted, USAF would oppose its application to these USAF activities. Also, we would hope that HEW so writes regulations that there would be no overlap. This observation is based on several years' experience with OE regulations in this field which have tended too often to lump the Federal and non-Federal programs together.

Mr. Mathis and Mr. Marshall appreciate the circumstances which made it necessary to cancel their May 12 appearance. Nevertheless, they were disappointed because they had looked forward to meeting with you and your Committee colleagues.

With every good wish.

Sincerely,

EDWARD A. MCCABE.

STATEMENT OF JOHN H. MATHIS, PRESIDENT, UNITED STUDENT AID FUNDS, INC.

My name is John H. Mathis. I am President and Chief Executive of United Student Aid Funds, Inc., 845 Third Avenue, New York City. With me are Mr. Allen D. Marshall, President Emeritus, and Mr. Edward A. McCabe, our Washington counsel, both of whom have appeared several times before this committee.

You will recall that United Student Aid Funds is a non-profit, tax-exempt corporation formed in 1960 to encourage low-cost loans to college students by guaranteeing repayment. We have guaranteed more than $300 million worth of these loans so far, and our operations, started in 1961, have for several years covered all 50 States.

It is a pleasure, Madame Chairman, to appear before this committee. I should perhaps warn you in advance that most of the recommendations I shall present here today will not vary greatly from those Mr. Marshall made last year. Time and experience have served only to deepen our belief that these recommendations would make for a more efficient, practical and helpful student aid program.

Following is a summary of our recommendations made last year:

1. We supported the proposal for a secondary market, but warned against hobbling it with conditions that would interfere with its effective functioning.

2. We said it would be a mistake to put colleges still deeper into the business of making, administering, and collecting loans—a very demanding role which few of them are qualified to undertake.

3. We urged that loan eligibility be based not on family income, but on family ability to contribute. We voiced our concern—a concern shared by nearly every knowledgeable person in the guaranteed loan field—about the Office of Education's insistence that the student aid officer at the college may neither inquire into a student borrower's financial circumstances nor recommend a specific dollar loan amount to the lender.

4. We proposed eliminating the in-school interest subsidy for students at all income levels, and applying the money so saved to other educational needs.

Our support of each of these positions is even stronger now. I shall take them up one at a time. Before doing so, however, let me make this general comment. Many bills are before you for consideration. These include a comprehensive bill introduced by the subcommittee Chairman and cosponsored by a number of her colleagues. Included also is a broad set of proposals by the Administration. We will not comment on all the student aid items encompassed by these and other bills. Instead, it seemed to us we could be most helpful to you if we limited our observations to those few steps—four in number—that, in our view and based on our experience, will improve the present guaranteed loan program. And when we speak of improving the present program, we must not become so impatient or critical that we lose sight of the great contribution it has made, and is making, to financing education for America's young people. The whole concept of guaranteed loans is a good concept. Lenders, guarantors, colleges and students have all done a great job in making it work. We at USAF are happy to have helped pioneer its development. We want to continue helping it grow and flourish, in its own proper balance—and in perspective with other elements of today's total student aid package. It is most important that all of us keep the guaranteed loan program in perspective—and remember that it has never purported to do the whole aid job by itself. It has never presumed to be a competitor with any other aid element. It is willing and able to supplement the other aid elements, as they supplement it.

In this setting we offer our suggestions for improving the effectiveness of the present guaranteed student loan program:

First, the secondary market. It is urgently needed—and it is urgent that it be set up in such a way that it will work!

Few would deny that with the volume of guaranteed loans running at $800 million a year, and heading toward $1 billion a year, some way must be found to "lay off" outstanding loans in order to free money for further lending. Otherwise, the money that lenders can afford to set aside for this nonprofit service will be steadily and drastically reduced, and many will finally have to drop out of the guaranteed loan program altogether.

But there is a danger that some changes now proposed in the underlying student loan program may make a secondary market unworkable. For example: Increasing the loan limit to a maximum of $17,500 for one student over seven years of study. Extending the repayment period to as much as 20 years. Giving a borrower the option to impose his own five-year moratorium on his obligation to repay. Changing the interest rate on a loan, and so on. We are persuaded that before any secondary market can be viable, there must be solid investor confidence that the underlying loan program is sound, established and not subject to abrupt, experimental or whimsical change. This level of investor confidence is critical to the success of any secondary market device. If this confidence doesn't exist, or if substantial and unproven experiment is likely in the underlying loan program, then the secondary market approach will fail. We believe most of the underlying concepts of the present guaranteed loan plans have proven themselves. They should be altered only on overwhelming evidence that a change would be beneficial—and even then that change should be made with caution. Since a secondary marketing is feasible only as part of a stable, on-going program, we urge most strongly that only those minimal and absolutely necessary changes be made in the basic program.

Second, the proposal to make these loans an all-college operation. One of the changes being pushed would have colleges rather than banks make, administer and collect guaranteed student loans. We feel such an arrangement would be disastrous for the program, the students, and the schools themselves.

To expect the average college or university to participate effectively in a banking operation of this size, is, in our view, totally unrealistic. Except for a very few of the larger schools, they lack both the facilities and the experience for this kind of operation.

We believe the net result of a nationwide college lending program would be a new and unnecessary burden on the college, a less effective loan repayment program, and in the long run substantially higher costs to the Federal treasury and the taxpayers.

Under some of the proposals, educational institutions would be not only the principal lenders but, for certain categories of loans, the sole lenders. They would have no choice in the matter. They would have to lend on a substantial scale in order to qualify for desperately needed grant and work funds—funds which, by the nature of things, only colleges can handle. We suggest that most colleges have problems enough with National Defense loans, without the added burden of administering, refinancing reporting, and collecting subsidized and guaranteed loans. And in our judgment if the colleges do take the amount of responsibility envisaged under the Administration bill, they would soon have to take it all—because private lenders would have no particular reason to stay in the program. Indeed (even apart from the proposed college-lender involvement), they would probably pull out in great numbers anyhow if Congress enacts some of the other substantial changes proposed. Mr. Broadway, President of the National Council of Higher Education Loan Programs, recently told you that under some of the proposed arrangements a student who first borrowed at age 17 might still be paying off his loan when he was only nine years away from eligibility for social security benefits. Banks are simply not going to continue participating in a complicated program where the payout may stretch over a period of 36 years.

Nor would such a program be attractive to a secondary market. Thus, the burden would surely fall back on the Treasury, resulting in precisely the kind of large-scale Federal spending the guaranteed loan concept was devised to avoid.

Third, the matter of family income as a criterion for guaranteed loans.

As we have stated many times, we are strongly in favor of returning to the college financial aid office the responsibility for deciding the type and amount of aid to be given to the individual student. We believe that the aid officer should not be foreclosed from considering the student's whole financial picture, including the family's ability to contribute. Assessment of ability to contribute can produce quite a different result than consideration of family income alone. The ability of parents to help their children through school often depends on many factors in addition to income.

A man making an excellent salary may nonetheless be in trouble when it comes time to pay for his son's or daughter's college education. If two or more children are in college at the same time, the problem is compounded. Financial emergencies are no respecters of persons, even those with earnings well above the national average.

Inflexible standards of eligibility, such as a cut-off above some specific family income level, would complicate, not simplify, the guaranteed loan program. And they would be unfair. I repeat that the person best qualified to judge a student's overall financial situation—and to help him make a rational decision as to borrowing—is his financial aid officer. That officer, rather than being prohibited from doing so, ought to be encouraged—indeed perhaps required—to counsel the student about his total education finance picture. Further, he should make—rather than be prohibited from making—a recommendation on the dollar amount to be borrowed.

Fourth, the in-school interest subsidy.

The Administration bill would eliminate in-school subsidies for all students except those from the lowest-income families. We believe these subsidies should be dropped completely, with the savings going on to other pressing educational needs.

If we truly believe, as I am sure we do, that an education should increase both citizenship potential and earning capacity, it makes good sense to postpone all guaranteed loan payments, principal and interest alike, until the borrower has completed his education. Prior to the passage of the Higher Education Act, most guaranteed loan programs, including our own, operated on this sound principle.

But in our opinion it does *not* make sense to *forgive* the in-school interest. That would be like saying that the education has not really achieved its purpose—that the graduate is still not able to make his way in the world. On the contrary, he should be perfectly able to pay off his loan without hardship, unless economic disaster strikes—and if it does, most lenders will gladly make special arrangements for the duration of the emergency. They do so now.

The in-school interest subsidy is at best of marginal value to the borrower. In the case of an average payout note of $2,000, his cost of repayment would be raised no more than $8 a month. Surely this can't be a great item for a young person then earning a good living. But the cost to the government of paying that in-school subsidy for all borrowers comes to around $100 million a year already, and will soon exceed $300 million a year. There are a great many pressing needs (education needs) that could use that kind of money.

CONCLUSIONS

In sum, United Student Aid Funds believes a secondary market is essential. We do not see, however, any way that such a market can work, unless the guaranteed loans are made on the least complex basis possible, and with the minimum of change in the present program.

We believe it would be a serious mistake to put colleges deeper into the loan business, a function for which so very few have any capability. Not only would this dim the prospects for a viable secondary market, but it would inevitably depress private lender interest in the guaranteed loan field as well.

We would like to see ability to contribute rather than family income used as a consideration of eligibility for various categories of loans. And we believe the decision on what a student needs to borrow should be shared actively by the financial aid officer.

Finally, we recommend the complete elimination of the in-school subsidy, and the diversion to other educational purposes of the $100 million or more that this step would save.

I thank you for your attention. We know there has been some interest in the default problem and anticipating your questions have prepared a statement of our observations. This is attached as an Appendix. We shall be glad to answer your questions.

Appendix—Observations of United Student Aid Funds, Inc., on Defaults by Student Borrowers Whose Loans Have Been Guaranteed

United Student Aid Funds, Inc., has for a number of years been concerned about the problems of student borrowers who default on their loans. Purely as a matter of averages, we expect the number and dollar amount of defaults to rise as the volume of loans coming due increases. This has happened, but in addition there has been a small but steady growth in the actual percentage of defaults in loans coming due.

Our policy at USA Funds from the beginning has been to urge lenders to be most lenient with the borrower who is in trouble but who also shows an honest desire to repay and to make an arrangement with the lender even on a basis which materially extends the payment date. Lenders have cooperated in this undertaking.

On the other hand, we believe the willful defaulter should be pursued diligently. We have tried to do this. We believe this must be the policy of all guarantors, the Federal government included. A number of agencies will guarantee loans for students in the same area—even at the same institutions. If the impression is created that loans guaranteed by even one of the guaranty agencies are not regarded as real obligations that need to be met, it will have an adverse effect on all guaranteed student loan repayments.

A few years ago we adopted a plan of aiding lenders to encourage borrowers to meet their obligations at the first indication of a probable default. Briefly the plan, a strictly voluntary one, is as follows:

"A lender notifies us that a borrower has failed to make payments on time. Immediately we send the delinquent borrower a night letter urging him to bring his account current, and reminding him of the financial and legal penalties of default. We send copies to parents, co-maker (if any), college attended, and lender.

"Some 2,000 of these 'delinquency' wires have been sent out so far this year. Lenders report that they get borrowers back on schedule in more than half the cases as a direct result of these reminders by wire.

"We follow a similar plan after we pay lenders who are forced to come to us for payment in those cases where a borrower's delinquency persists. Such efforts on our own behalf are much less effective at this late stage, but we still avert losses on about 15% of these confirmed defaults.

"Parts of this plan have been adopted by other guaranty agencies."

This, however, was an attempt to cure the disease. More recently we have added a plan that we hope will aid in preventing it.

We have prepared a leaflet (copy attached) telling graduating borrowers the importance of credit. Also, how important to their own future credit eligibility is the repayment of their student loans. The pamphlet urges them to make prompt arrangements now for later repayment of their loans. This is being sent in quantity to college financial aid officers with an explanation of the guaranteed loan program and the request that the leaflets be distributed to graduating borrowers.

We also write to the president of each college, pointing out the importance to the college of a good repayment record by its graduates. We ask his personal and official support of the financial aid officer's efforts.

In addition, we have prepared an advertisement (copy attached) on the subject and sent it to campus newspapers suggesting it be run for the benefit of readers who have borrowed.

It is too early to tell the effect of the new plan, but we are sure with the cooperation of lenders and school authorities it should be helpful. The following is a description of our past experience:

We endorsed our first student loans in 1961. First repayments were made in 1962. The first loss through default came a year later. In ten years of operation we have endorsed 456,000 loans totaling $301,000,000. $67,000,000 of that has been fully repaid, and $104,000,000 more is currently being repaid on time. But about $9,000,000 has not been repaid to lenders. It is worth emphasizing here that while this $9 million default figure amounts to about 3% of our total loans, it is slightly in excess of 5% of the loans in repayment stage—a much more significant point of comparison. We have had to make good on behalf of the 9,900 defaulting borrowers by paying this $9 million to lending banks to cover their loans which we guaranteed. We continue diligently to pursue these defaulters, and ultimately recover after collection costs are paid about one-half of the amount paid to lenders on their behalf.

The growing percentage of defaults to the amount "subject to repayment"—that is, paid in full or due for installment repayment—is shown below.

	Percent		*Percent*
1964	1.25	1968	4.69
1965	2.17	1969	4.98
1966	2.97	1970	5.49
1967	4.00		

In contrast to the State-supported programs whose borrowers reside in a single area, United Student Aid Funds embraces the whole United States. Our program includes students of some 960 sponsoring colleges. It includes 14 States we have served as guaranty agency, and 13 more States for whom we have administered funds advanced by the U.S. Commissioner of Education. 10,000 lenders, in all States, make student loans with our endorsement.

With this range and diversity of borrowers—and lenders—it is significant that both the proportion and trend of overall defaults in our varied program parallels closely those reported by the New York and Pennsylvania student loan guaranty agencies.

It is difficult to classify the sources of default within such a broad spectrum without analysis too costly for us to afford. However, the record in a few broad categories may be useful. We can report the following percentages of default:

	Percent
College borrowers prior to 1966 (effective date of Federal guarantee)	1.9
College borrowers since 1966	6.3
Vocational school borrowers (since 1966)	9.6

This experience we believe is about the same as that of other plans of comparable size and maturity.

In conclusion, we should emphasize again our belief that each lender and guarantor must diligently pursue all willful defaulters because of the adverse effect on the future credit standing of the borrower and also because of the adverse effect on the default experience of all guarantors.

To a Graduating Student Who Was Helped Through College by Guaranteed Loans

(By John H. Mathis, President)

First—congratulations!

You have proved you have what it takes to get the education you need. And we know it wasn't easy.

One important step you took was to *invest in your own future.* You did this by taking out one or more loans, guaranteed either by United Student Aid Funds, or a state agency, or the Federal government.

These loans were society's vote of confidence in you. They were equally your vote of confidence in yourself.

By finishing school, you have taken the first vitally important step to justify that vote of confidence.

The second step is to pay back the money you owe.

So we hope you will make arrangements right now, before you leave school, to begin repayment of this debt.

Check with your Financial Aid Office to be sure your records are in order.

Make an appointment with the banker who loaned the money to you, and arrange a realistic repayment schedule.

You need not make your first payment until ten months after graduation, but you will be able to make other plans with far greater assurance if you know now exactly what you will need to set aside each month for your loan.

Meeting this obligation faithfully is one of the most important steps you can take—for your own benefit.

Your repayments will prove your responsibility. They will establish your credit for the time when you may need it to buy a car, a house—and, some day, a baby carriage. Or a business.

You will be helping other deserving students, too. For as each loan we guarantee is repaid, the money we have set aside to guarantee it is released to generate another low-cost student plan. We have guaranteed over 300,000 of these loans already. And with your help, we look forward to guaranteeing loans for future generations of college students.

So meeting your payment schedules will help you. It will help other students. And it will help society.

Once more, our hearty congratulations—and good luck as you leave campus to make your mark in the work-a-day world!

News About Student Loans, Especially for 1971 Graduates

What YOU should do this Spring . . . if you are graduating and have signed your name to an "interim" note guaranteed by United Student Aid Funds, Inc. (or by any other guarantee agency).

When you signed your name to our loan application, you performed a "financial rite" that is almost as old as recorded history.

The first loan application that anyone knows anything about was filed by a young Babylonian farmer around 2,000 B.C. That ambitious young man visited his local temple (the temples served as banks in those days) and asked for a loan of two silver shekels. A priestess wrote it up on a clay tablet, specifying the amount and the terms, requiring that he re-pay in full, with interest, at the time of the next harvest. That rate was spelled out in somewhat exalted fashion as the "Sun God's interest." The sturdy tablet somehow remained intact throughout the centuries—tangible evidence today of the indestructibility of our institution of *credit*.

The word *credit* itself also boasts a pretty ancient pedigree. If you recall your Latin, you know that *credit* is derived from *credo*—"I believe." You may not know—unless you studied Sanskrit—that the Latin *credo* in turn derived from the older Sanskrit word *crad*, meaning "trust," and the older Latin *do*, meaning "to place."

So you see that credit is really faith, or confidence, that is engendered between a debtor and a creditor which may result in the transfer of value—or money, if you will—in the present, the payment being deferred to the future.

HOW TO BORROW FOR COLLEGE

Here are five easy rules to follow.

1. Determine how much you really need and don't burden yourself with more debt than is absolutely necessary. Remember! You have to repay your loan someday.
2. "Have your ducks in a row." Complete your application form and be as specific as you can. The Financial Aid Officer can help you. Indeed . . . your FAO is a mighty good person to know and trust.
3. Apply in person. Don't write, or send your mother.
4. Dress as for an important business conference.
5. Present yourself as you would want a borrower to appear before you, were you a lender of money deposited with your institution by the public.

HOW TO BORROW AFTER COLLEGE

The rules that apply here are similar to the ones that guide a student borrower. Have a good reason why you want to borrow and be prepared to discuss a repayment schedule. One factor in your favor will be a good record of repayment on your guaranteed college loans.

HOW COLLEGE RESERVE WORKS

An eligible educational institution makes a money deposit with United Student Aid Funds. For every $1,000 deposited with it, USAF will endorse $10,000 in loans to the depositor's students. When the loans are repaid, the same $1,000 underwrites $10,000 more in loans to a new generation of students.

CASE HISTORY OF A DEFAULT

If a borrower does not sign his installment repayment note, or if he fails to make installment payments when due, his note goes into default . . . and the guarantee agency must purchase it. Then United Student Aid Funds must take legal steps to collect—employ collection agencies and file suit if necessary. These steps are expensive, interest accumulates, and all costs are added to the defaulter's debt. Moral: Do not default on your guaranteed loan! NOTE: If your repayment plans change, you can usually work out new repayment dates and amounts, but you must contact the bank that holds your note.

You should convert your "interim" notes into one "payout" note *before you graduate this Spring and* "scatter to the four corners of the country" . . .!

HIGHLIGHTS OF 10 YEARS OF SERVICE TO HIGHER EDUCATION

Our stated objective in 1960 was "To make it possible for any deserving college student in America to borrow money at a bank in his neighborhood to pay his college bills—with no security but a determination to help himself and a promising academic record."

Since February 1, 1961 (and as of March, 1971) . . .

We have recruited 1,062 colleges and universities who have deposited $8,373,157 with us to create a loan potential more than ten times as large.

We have contracted with the Federal government and state governments to endorse student loans secured by their deposits of $7,032,553 and $4,407,169.

We have enlisted the participation of 10,000 lending institutions—banks, credit unions, savings and loan associations and insurance companies.

We have guaranteed 455,000 loans totaling $300,146,000 to 325,000 students. Of the loans guaranteed, more than $65,556,000 has been paid in full and more than $99,000,000 is being repaid promptly in installments. Almost one-quarter of the loans which were fully repaid were repaid before the due date.

We have developed programs which supplement our basic College Reserve Program and meet special student needs. Three promising ones are the Special Reserve Program, the Agency Program and the GOAL Program (Guaranteed Opportunity Achievement Loans).

United Student Aid Funds has demonstrated that private enterprise can play an essential role in coping with the social crises of our times.

AN OPEN LETTER TO '71 GRADS WHOSE GUARANTEED LOANS ARE USAF-ENDORSED

Congratulations . . . on your approaching graduation!

Your next few weeks will be busy ones, I know. Even so, I hope you will arrange to take care of the obligation you assumed when you borrowed money for college. You signed promissory note(s), you will remember, and United Student Aid Funds guaranteed them for you.

I suggest that you do these two things. First, check with your Financial Aid Officer to be sure your records are in order. Then ask for an appointment with the banker who loaned the money to you and arrange a realistic repayment schedule with him. You need not begin repayment for several months, but it will be better if you make definite arrangements for repayment before you leave campus.

Finally . . . a personal note. My associates and I derive a tremendous amount of satisfaction from the realization that United Student Aid Funds has helped over 300,000 deserving and ambitious men and women through college! As current student loans are repaid, we hope to guarantee loans for future generations of students.

JOHN H. MATHIS,
President, United Student Aid Funds, Inc.

JUNE 7, 1971.

ALFRED B. FITT,
Special Adviser, Office of the President,
Yale University, New Haven, Conn.

DEAR MR. FITT: Thank you for your letter of May 10 in regard to Title X of H.R. 7248 relating to discrimination against women. I read your memorandum with interest.

You will appreciate that the bill would not prohibit any institution per se from setting quotas or discriminating against women or in favor of them. The prohibition would just apply to those participating in federal programs. It has always seemed to me that federal tax money should be distributed without discrimination and that is all that Title X purports to do.

Your suggestion that there is a distinction between graduate and undergraduate programs fits my own thinking. I now propose to modify Title X to prohibit, in participating institutions, any discrimination in graduate or professional training or indeed in vocational or occupational training on any level.

You suggest "that an all-male or all-female college wishing to co-educate could avoid the bill's impact by establishing a legally separated but coordinate college for the opposition sex." The bill, as I read it, would exempt single-sex institutions existing on the date of enactment. It would not exempt those established thereafter.

Pursuant to your request, your letter and memorandum will be included in the hearing record.

Thank you for your interest.

Sincerely,

EDITH GREEN.

YALE UNIVERSITY,
New Haven, Conn., May 10, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
Washington, D.C.

DEAR MADAME CHAIRMAN: I write in connection with H.R. 7248, the proposed Higher Education Act of 1971. It is a major bill, the product of much thought, and in the main its provisions are wise, far-seeing and demonstrably in the public interest.

However, one of the provisions troubles me. Title X of the bill prohibits consideration of gender in the admission of students to co-educational colleges. Its effects would be to hold that any fortuitous division of the sexes in a student body is good and any controlled, non-sectarian division—even 50–50—is bad and must be made unlawful. I enclose a memorandum which expands on why I believe Congress ought not to issue such a decree. I would be grateful if the memorandum and this letter were included in the hearing record on H.R. 7248.

An ironic flaw in Title X of the bill as written is that an all-male or all-female college wishing to initiate co-education could avoid the bill's impact by establishing a legally separate but coordinate college for the opposite sex. Such arrangements ought to be based on educational judgment, not on legal ingenuity, yet the bill would make the latter dominant.

I hope that Title X will be amended to eliminate its application to the college admissions process. There simply is no body of evidence or of wisdom which would warrant passage of the provision in its present form.

Sincerely,

ALFRED B. FITT,
The Special Adviser.

THE MANAGEMENT OF COEDUCATION: SHOULD THE CONGRESS LEGISLATE IN THIS FIELD?

As of June 1, 1970, there were in this country 158 colleges for men only, 203 for women only and 2455 with varying degrees of coeducation.

Explicit sex quotas for admission to graduate programs are probably rare. The contrary is the case in undergraduate programs. 13% are single-sex institutions and an unknown, but presumptively large, number of the others exercise some form of deliberate control over the proportions of males and females in their student bodies.

An institution's policy in this field may be based on such a simple matter as the nature, number and location of its dormitories, or on such a complex matter as an historical relationship with a neighboring or coordinate institution. Similar institutions arrive at dissimilar answers, and dissimilar institutions arrive at similar answers.

The world of higher education gives no sign of wishing or being able to establish a single "correct" educational standard for the mix of sexes to which all institutions should, or must, repair; nor is there any agreement on a standard to which no one should repair.

There are several proposals pending in Congress, the effect of which would be to prohibit consideration of gender in the admission of college students. All are quite evidently based on the concept that women, as well as racial minorities, are entitled to equality of opportunity.

No one should quarrel with that concept. The rub comes in trying to state what in fact constitutes "equal opportunity".

In the case of racial minorities, the Constitution and the evidence of our senses tell us that separate schooling is not, and inherently cannot be, equal. But the Constitution and the evidence tell us no such thing concerning the education of boys and girls or of men and women.

Equality of educational opportunity does not mean it is the right of women to attend Harvard or of men to attend Radcliffe. Harvard and Radcliffe should be left to decide that question themselves.

The opportunity which deserves nourishment and protection is the existing opportunity of young men and young women to select from the widest possible variety of colleges and to apply, for their own reasons and without accounting to any public official, where they are likely to be outnumbered by the other sex, or to outnumber the other sex, or not to see the other sex in class at all. There is absolutely no Federal or other interest in narrowing the wide choice now open to high school graduates, male and female alike.

One of the pending Congressional proposals (H.R. 7248) acknowledges that the Federal government has no business banning *every* consideration of sex in the college admissions process. It would permit all women or all men to be excluded by an institution, and it would permit the use of religious tenets in the admissions process, even though that meant "discrimination" against one of the sexes.

But the same bill provided that if a single-sex institution decides to admit the opposite sex as well, it may control the ratio of the sexes only for five years and then only if the Commissioner of Education approves. Without his sanction the college could not invoke logistical consideration (housing and infirmary arrangements, for example) or the impact on intramural and intercollegiate athletic programs, or the kinds of work opportunities for scholarship students, or the expressed desires of the current student body, or faculty judgments concerning the learning and maturation process. After five years, none of the foregoing, or any other than a religious tenet, could under H.R. 7248 justify deliberate management of the numbers of males or females at any co-educational institution.

Such a proposal seems manifestly wrong. *There is utterly no evidence to support the conclusion that any fortuitous division of the sexes in a student body is good and any controlled, non-sectarian division—even 50–50—is bad and must be made unlawful.*

There are complicated and puzzling questions with respect to the assurance of equal opportunity for women in our society. Attitudes and understandings change over time, and what seemed appropriate in one decade may seem inappropriate in the next, and indeed may come to be thought of as so inappropriate as to be made illegal.

However, wisdom on the issue of the mix of sexes in a college student body has not yet reached a level of certainty which could posibly justify Federal legislative action to declare inappropriate, much less illegal, every non-sectarian educational judgment concerning the male-female ratio on every co-educational campus. The pending Congressional proposals to legislate a certainty where none in fact exists should be rejected.

FORDHAM UNIVERSITY AT LINCOLN CENTER,
New York N.Y., May 11, 1971.

Hon. EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: I would like to support the retention in your bill HR 7248 of the new part G amending Title IV of HEA, especially of Sec. 491(c)(2)(C) authorizing programs of "identification, encouragement, and counseling of any such students with a view to their undertaking a program of graduate or professional education."

It is my conviction that continuation of, if not fuller appropriation and expenditures for, this program will be highly desirable in the next few years. At the Lincoln Center Campus of Fordham University our 3-year old Liberal Arts College has an enrollment of 902. Of this total, 338 are qualified under the New York State Higher Education Opportunity Program for economically and educationally disadvantaged students. Approximately 320 of these students are Black or of Spanish-speaking background.

As these students move towards graduation, we anticipate that many of them will have difficulties with the GRE, LSAT and other standardized tests that are utilized by graduate and professional admissions offices. We badly need funding beyond University resources to fulfill our obligations to these students in educational counselling, placement and supportive services.

It seems to me that other institutions around the country will soon be faced with situations similar to ours. I would be very happy to assist your office in support of the bill and Section 491 in particular.

Sincerely,

JAMES F. DONNELLY, S.J.,
Assistant to the Provost.

SYRACUSE UNIVERSITY,
Syracuse, N.Y., May 13, 1971.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: Please let me urge that the proposal to outlaw gender as a consideration in college admissions decisions (Title X of H.R. 7248) be eliminated from the Bill. We do not believe that this represents an appropriate subject for Congressional action. We do believe that many of the administrative efforts presently underway by the Federal government and among colleges and universities to eliminate discrimination on the basis of sex are most effective and should be continued.

Sincerely,

JOHN C. HONEY,
Vice President for Governmental Affairs and Research.

CHAMPLAIN COLLEGE,
Burlington, Vt., May 24, 1971.

Congresswoman EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR CONGRESSWOMAN GREEN: In further pursuit of our letter of May 19, may I call to your attention that I should like to urge as a minimum hope that:

(1) there is certainty that private junior colleges are included in state planning,

(2) that private junior colleges continue to receive support for libraries, and

(3) that private junior colleges are put under Section 103 for construction grants.

In my earlier letter, I did not include these specifically, and we would hope that you are able to give us support in this connection.

Certainly we are grateful for anything you may be able to do to assist in sustaining the private junior colleges.

With all good wishes.

Cordially yours,

Dr. C. BADER BROUILETTE, *President.*

[From the Christian Science Monitor, Mar. 27, 1971]

COLLEGES NEED EFFICIENCY, NOT DOLLARS, READER CLAIMS

(By Paul H. Davis)

To the education editor:

Kenneth Gehret's article [Feb. 20, "Exit Private Colleges?"] gives good reasons why the private colleges are threatened. Yet he joins the many college presidents who offer only one solution to their problem: more money. Apparently, they have not carefully considered alternatives, and particularly, a key alternative: that of increasing productivity, a goal vigorously pursued in the California state colleges.

Note the following facts:

Within the 19-campus, 240,000-student California state-college system, the cost per student (excluding room and board) is $1,535 a year. Next fall, that figure is expected to be reduced to $1,430.

There are many reasons for this low cost. But overall efficiency, while maintaining good quality, is the key. Granted that hours and facilities are on a less luxurious basis. Granted that youths striving to join the intellectual elite of the world might probably be better groomed on an individual basis at Reed or Amherst or Pomona.

But such elitism, or luxuries, or extravagances of the private colleges cannot be afforded by the taxpayers in financing the state-college system of California. It seems that the private colleges, in many cases, are suffering more from overrich diets of the past decade than from the paucity of the present.

The state colleges, with their emphasis on teaching rather than on research, have attained a more efficient balance of many factors—longer use of facilities each day (and week) and the successful use of adjunct professors (i.e., men from industry and the professions who teach courses while remaining in their chosen field full time), etc.

In the case of adjunct professors, the state colleges in California, by employing them to a greater extent than most, have decreased costs and simultaneously added to the richness and realism of their courses.

Thus, the California state college system has made progress in correcting the attitudes criticized by Dr. Eric A. Walker (retired president of Pennsylvania State University and now vice-president, science and technology, for the Aluminum Company of America) in a speech last month.

Dr. Walker stated that "Unfortunately in the university community, efficiency is almost a dirty word. Indeed, by some strange logic which is followed in education circles, it is believed that one cannot have quality and be efficient, too."

Now Chancellor Glenn S. Dumke of the California state colleges has proposed to meet the challenges of the future with proposals entitled "A New Approach to Higher Education."

While it is too detailed to be covered in this letter—but well worth study and full reporting—it does outline ways of meeting the needs of educating increasing numbers of students at minimum costs without reducing quality. It proposes enabling students to break with the lockstep sequence of attaining a degree by merely attending classes and adding up credits.

His proposals include the "open—university" concept by which students of all ages may view colleges as an education resource, from which they may attain a degree by completing work at home, by correspondence, by TV, by attending classes and then appearing for challenge examinations in areas of knowledge when they are ready.

"As I see it," the title of the article by Patrick E. Haggerty, chairman, Texas Instruments, Inc., writing for Forbes magazine, Feb. 1, 1971, emphasizes that "It is a mistake to think of productivity only in terms of the manufacturing industry; productivity in services is even more a vital issue." (And few can argue the point as today education is one of our biggest service industries!)

Mr. Haggerty is appalled by what he sees as the low productivity in education and the rising costs and declining effectiveness.

"In education, it is very clear that the entire emphasis has been on improving quality without any attention to cost," Mr. Haggerty says. Continuing, he points out his belief that "educators are not even conscious of the fact that they have just as big a burden of increasing productivity as does the rest of society."

Chancellor Dumke's "New Approach" meets the challenge posed by Mr. Haggerty. In fact, as I stated to the press on hearing the "New Approach" presented, if the California state colleges put the plan into operation with reasonable speed and dispatch, then I predict these colleges will lead the nation, the western world, to a new day in the development of the potential of our youths.

Concomitantly, I feel that the current trend toward more appeals for governmental handouts by the private colleges should be eliminated. We already have too many people leaning on the government.

Instead, I recommend that the private colleges facing the dismal future described in the Monitor article cease their worship of past methods, that they explore the many efficiencies now employed effectively in the California state-college system and elsewhere, and that they study the impact that the Dumke "New Approach" could have for their future.

A vigorous effort for increased productivity would stimulate private donations.

[From Forbes, Apr. 1, 1971]

WAKE UP, CUT DOWN OR DIE

Independent colleges and universities are in trouble. The most critical trouble is not the headlining confrontation stuff or the new look of no morals, no morale and wayout clothes.

The critical trouble is money trouble.

Educational institutions are faced with soaring costs, complicated by some decline in giving for assorted sound and unsound reasons.

Survival of private educational institutions is of prime importance to our nation's future. It's time trustees legally entrusted with an institution's life stop merely enjoying the honor and start meeting the responsibility.

Raising ever more money for expansion and building programs and expenses, ad infinitum, is no longer possible. While increasing excellences in all departments is desirable, survival is more so. The greatest contribution businessmen on college boards can make is not more money now, but more sense of budget and income, and living within it.

Nothing will more quickly level hallowed halls than a hollow treasury.

BELL & HOWELL,
Chicago, Ill., April 27, 1971.

Hon. EDITH GREEN,
Rayburn House Office Building,
Washington, D.C.

DEAR MRS. GREEN: During our testimony before your sub-committee on April 6, 1971, several references were made to the process of accrediting schools which directly or indirectly benefit from Federal Government financial aid programs. During this discussion, you suggested that we submit our comments or recommendations on this subject to you.

If we understood the thrust of your question, it concerned first, the necessity of an efficient, dependable process for accrediting post-secondary schools, which directly or indirectly receive large amounts of Government aid, and second, the desirability of having the accrediting (or quality control) function performed not by Congress or any executive agency, but by outside, non-governmental institutions.

We are not experts on accrediting agencies. But we can offer some opinions founded on our experience in our own field. There is no doubt in our minds that Congress and the executive agencies of Government should continue to *delegate* the accrediting function. It is fair to say that they lack both the expertise and the resources of manpower and money which are required to do this job well. In the field of education they already have more than enough to do, without tackling this enormous task.

The question then becomes: Can the accrediting function be safely delegated to and performed well by outside agencies, so that government funds are well spent in this area and the quality of education maintained at a high level?

In the delegation of the accrediting function these problems arise: (1) How to secure the necessary accrediting expertise; (2) How to achieve independence and avoid abuses of self-interest; (3) How to avoid the dangers of inflexible traditionalism in curriculum, instruction and educational technology; and (4) How to insure fairness, care and due deliberation in the accreditation process.

1. EXPERTISE

Of these problems, the least difficult is expertise. Any accrediting commission should be able to obtain persons to serve on its accrediting teams who are knowledgeable, either generally about the kind of education represented by the institution they are evaluating or, particularly in the case of a professional or vocational school, about the specialty of the school.

2. INDEPENDENCE

Real, unquestioned independence is a more difficult thing to achieve. Most of the time the professional integrity and character of the members of the accrediting commission will assure objective judgment. But the possibility exists that in some cases, where the accrediting group is a kind of close-knit fraternity, laxness and favoritism can develop. We think, therefore, that the Government should have an interest in securing the real independence of the accrediting commissions. The only sure way to do this is to have each commissions' members selected, not by the group of schools they accredit, but by some outside disinterested agencies, such as professional associations, foundations or universities. There should be safeguards to assure representation on the commission of authorities in the particular field for which the commission is responsible, but there would also be members who are effective educators and even distinguished men who are not educators, from outside that field.

3. BALANCE

This kind of commission must not be allowed to stifle sound innovation and openness to new ideas and educational techniques. A proper balance must be maintained between the traditionalists and the innovators. Again, appointment of *mixed* commissions by independent agencies may avoid this.

4. FAIRNESS

Accrediting commissions yield important power which can have a profound effect on the economic well-being of the affected schools and on the quality of the education of their students. There are ample judicial precedents under which the courts can require that commissions avoid arbitrary or capricious actions and extend a procedural due process to those who are affected. In addition, however, we believe it is important that the executive agencies of the Government which bear responsibility in the educational area maintain a more or less continuous surveillance to insure that such standards are observed by the commissions.

These comments and suggestions are not definitive but we hope that they will be of assistance in the deliberations of your committee.

Very truly yours,

H. E. BOWES, *President.*

ILLINOIS STATE SCHOLARSHIP COMMISSION,
May 13, 1971.

Hon. EDITH GREEN,
House of Representatives,
Congress of the United States,
Washington, D.C.

DEAR REPRESENTATIVE GREEN: As you review existing federal student financial aid programs and consider future changes, I sincerely request your review and consideration of the enclosed position paper of the National Association of State Scholarship Programs.

A partnership of federal/state/institutional efforts, in our opinion, is one of the best answers to equalize educational opportunities and remove financial barriers.

Sincerely,

JOSEPH D. BOYD, *Executive Director.*

A POSITION STATEMENT OF THE NATIONAL ASSOCIATION OF STATE SCHOLARSHIP PROGRAMS TO CREATE A FEDERAL/STATE PARTNERSHIP IN PROVIDING GRANTS FOR FINANOALLY NEEDY STUDENTS

Whereas:

(1) *The Education Commission of the States*, through its 1970 task report on *Student Assistance*, has accurately stated the need for an institution/federal/state partnership to provide an equal educational opportunity in *all* the states;

(2) Our association of twenty-one (21) state programs, administering 580,000 monetary awards totaling $229 million to needy students in 1970–71, has indicated the same need for federal/state partnership and also has observed the desired impact of its member states' efforts in providing financial aid;

(3) New federalism and/or revenue sharing is a vital issue of our times to provide relevant responses to difficult problems;

(4) The insured educational loan programs to students demonstrate that federal/state partnership is plausible;

(5) There is an inequity of available dollars for many needy students because of their residence;

(6) The continued existence of many outstanding nonpublic institutions of higher learning is seriously threatened by fiscal problems and the preservation of strong public and nonpublic institutions is deemed to be an economic necessity and a desired educational goal;

(7) The involvement of federal funds can serve as an incentive for all states to initiate, retain or even increase their commitment of student aid funds;

(8) Any plan to assist students with college costs through excessive borrowing is deemed unwise and not an acceptable answer to extend higher education opportunities to students from low and moderate income families;

(9) Existing comprehensive state scholarship programs have demonstrated a professional competence in administering financial aid programs based upon an objective assessment of eligibility; and

(10) No qualified student who wants to seek post-secondary education should be barred for lack of money.

Therefore, be it resolved that: Federal legislation be developed or current legislation amended to provide a share of the appropriation for Educational Opportunity Grants and/or newly appropriated funds for gift assistance to the states to add to their commitment of state funds in the assisting of financially needy students. Such legislation should provide for the attainment of two important goals:

(1) The establishment of programs of state financial aid in *all* states for its residents with financial need to attend either public or nonpublic colleges, other post-secondary institutions, and

(2) Recognition of effort on the part of states with existing programs for the needy applicant to attend either a public or nonpublic post-secondary institution of higher learning.

Part I

Those states with new and emerging comprehensive state scholarship or grant programs available to financially needy students to attend either public or nonpublic post-secondary institutions would qualify for matching student aid funds (a form of "seed" or incentive dollars) from the Federal Government, up to $1 million per year, for a period of time not to extend more than three successive years, and

Part II

All states with programs (new, emerging, and established) would claim 50% of their investment of state funds when used to match or supplement federal E.O.G. recipients or eligibles as a partnership expense to be paid from the federal treasury.

DESIRED CHARACTERISTICS OF THE PROPOSAL

Re Part I

States without comprehensive student aid programs or with emerging programs are to be motivated to provide new or greater benefits than presently available to their residents, thus minimizing the current inequity now existing among all states.

Re Part II

This proposal involves an institution/federal/state partnership:

The institution makes the E.O.G. award following federal guidelines.

The Federal Government provides the E.O.G. funds directly to the institution.

The State Government provides the supplementary gift aid from its funds and receives a federal subsidy for its efforts to such students.

Part II can serve to keep the maximum value of a federal E.O.G. award at a lower or standard level as college costs increase and it will further assure that more students with severe financial need will be benefiting from both federal and state efforts without the necessity or excessive borrowing to meet the costs to attend the college of their choice.

Be it further resolved that:

(1) The members of the National Association of State Scholarship Programs (because of the magnitude and significance of their state-funded aid programs) firmly believe that they should have representation from their organization actively involved in creation of, review of, and implementation of guidelines for any federal legislation dealing with student grant and/or loan financial aid for post-secondary study including the above proposal.

(2) Recognition be given to the fact that the twenty-one (21) states administering comprehensive financial aid programs for college and other post-secondary study are able to obtain some desired characteristics of administration which are not always possible in many institutionally administered student aid programs. These differences are: Greater standardization, objectivity and equity in eligibility and financial need assessment; the preservation of freedom of college choice and the transferability of an award; a state-wide network of communicating opportunity, and a smaller per unit cost of administration. Without the intent of eliminating institution-administered federal Educational Opportunity Grants, designated state agencies can and should assume an important role as

another vehicle to award federal dollars to its residents and make the application of these federal dollars serve as a partnership expense through a matching or supplemental program from state revenues.

Council of Chief State School Officers,
Washington, D.C., April 21, 1971.

Hon. Edith Green,
Chairman, Special Subcommittee on Education, House Committee on Education and Labor, Washington, D.C.

Dear Mrs. Green: Enclosed is a statement from the Council of Chief State School Officers, supporting the amendment included in your Bill, H.R. 7248, to Section 518(a) of Part B–2 of the Educational Personnel Development Act to authorize the use of funds appropriated under Part B–2 to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage.

The Council appreciates the opportunity to submit this statement to the Subcommittee. A copy of it is being submitted to each of the Subcommitee members.

Sincerely yours,

B. Alden Lillywhite,
Federal Liaison Assistant.

Enclosure

Authorizing Retraining of Teachers Under Part B–2 of the Education Development Act

Madame Chairman and members of the subcommittee, this statement is submitted in support of a proposed amendment to Sub Part 2 of Part B of the Education Professions Development Act which would permit funds appropriated under that authorization to be used to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage. The Council of Chief State School Officers appreciates the opportunity to express the views of its members to this Subcommittee on this proposed amendment.

It is our understanding that this change has been recommended in the Administration's proposed amendments to the Higher Education Act of 1965, H.R. 5191, in the Comprehensive Bill, H.R. 7248, submitted by the Chairman of this Subcommittee and in H.R. 32, submitted by the Chairman of the House Committee on Education and Labor. As stated above, the specific amendment to which this statement is addressed is the addiction of a clause to Section 518(a) of the Education Professions Development Act which would permit the use of state grant funds appropriated under Part B–2 to be used to provide necessary training to teachers to enable them to teach other grades and subjects in which such agencies have a teacher shortage.

This modest program authorized by Part B–2 for which only $15.0 million was appropriated in 1971, has been in operation only two years but it has already proved of great value to the states by permitting them to use it in priority areas as identified by the various districts and by state educational agencies. It is acknowledged that a teacher surplus does exist in some areas. However, there is no surplus and, in fact, there still are shortages of teaching personnel for such areas as the disadvantaged, bilingual education and the handicapped. It also is true that many teachers in subjects where there is said to be an over supply need reorientation and updating of skills to be most effective under the circumstances that now exist in our schools. This amendment would permit the retraining of teachers for areas where there are shortages and is a means of bringing the teacher supply and demand into better balance.

A few excerpts from letters that have come to the Council office will give this Submittee a picture of the way the state educational agencies value this Part B–2 of EPDA and the need for this proposed amendment. The excerpts appear below. The first is from Superintendent Parnell in the state of Oregon:

"The B–2 program has become an even more important one for the 1971–72 year since it has evolved into a statewide project which will be used as a vehicle for establishing model teaching complexes. With the impetus of B–2 funds, local districts will be developing cooperative training programs involving those local, state, and federal programs they may currently have operating as individual and separate programs. The impact of this program would be greatly expanded by the liberalizing amendments and by an increase rather than the decrease in funds for EPDA B–2 proposed in the BEPD budget."

Dr. Busbee, State Superintendent from South Carolina, described the situation in his state as follows:

"Modest though the EPDA B–2 Program has been, school districts in South Carolina have been able, during two years of operation, to recruit, train and employ 234 new teachers in areas of critical shortages. The State Grants Program has made it possible for these school districts to identify and justify their areas of critical shortages and to take effective steps toward alleviating them. A modification of the guidelines which would permit the retraining of teachers already employed would provide another valuable means of assistance for school districts in South Carolina to improve the quality of their teaching staffs. Although the existing limitation on funds to be used for training teacher aides (one-third) has not yet seriously affected South Carolina, the increasing emphasis on aid programs may well place them at a high level of priority in the immediate future.

"In view of the facts noted above, we would like to go on record as urging support of the necessary Congressional actions to continue the funding of the State Grants Program (EPDA B–2) at a level at least equal to or in excess of the Fiscal Year 1971 funding and to liberalize the EPDA B–2 guidelines. We feel that the State Grants Program has made a real impact in South Carolina and that it shows promise of continuing success in this state."

The final excerpt is from the State Superintendent in Florida, Floyd Christian, who is President of the Council of Chief State School Officers. He describes the need for this amendment as a way of bringing the teacher supply and demand into better balance and describes the grants under Part B–2 as "seed money" which should be allowed to grow to fruition. His statement follows:

"There exists a considerable shortage of instructional personnel in Florida as well as the entire nation in the crucial areas of exceptional child education, occupational specialists, and professional trained volunteer teacher aides. To remedy this critical situation, Congress needs to pass the Javits amendment that has been before the Congress since last summer. The passage of this amendment would liberalize the guidelines for the expenditure of EPDA B–2 money, thereby enabling each state to retrain the teachers who are unemployable due to their certification in the oversupplied subject areas such as language arts, social studies, and guidance.

"To meet these crucial shortages for the next two to three years certainly does not indicate the proposed fiscal budget reduction under Part B–2 of the act. The 1971 level of funding should at least be maintained if Florida is to rectify its supply and demand situation with the passage of the Javits amendment. The EPDA B–2 seed money that has been planted in Florida during the past three years should be given the opportunity to grow to fruition. I am certain that this is the case in many of the other states in our nation."

The above excerpts and statements in other letters received in the Council office give ample proof of the value this training program, authorized by Part B–2, has been in the past and they give solid justification for the proposed amendment to permit retraining of teachers. The Council recalls the work of the Members of this Subcommittee and of the full House Committee on Education and Labor in developing and helping to obtain passage of the Education Professions Development Act. We wish to express our commendation for the foresighted action in enacting this legislation and in particular, Part B, to which this statement is addressed. We believe that the addition of the amendment discussed above is in keeping with the overall concept of Part B–2 and will provide an important additional resource for training educational personnel to function effectively in present day elementary and secondary schools.

Madame Chairman, insofar as this Office has been able to find out, there is no opposition to this proposed amendment on the part of the states, the major educational organizations or the Department of Health, Education and Welfare. As you know, it also has been recommended by the Administration and by important congressional leaders of both parties. Thus, there would seem to be little need to press the point further, except to say that the Council of Chief State School Officers joins with the others in urging that this Subcommittee and the full Committee recommend passage of this amendment and work for its acceptance by the Congress. We suggest that consideration be given to broadening the amendment to Section 518(a) to permit retraining of principals, supervisors and other administrative personnel as well as retraining teachers. This broader language would be particularly helpful in cases where schools are closed or there are abrupt changes due to desegregation or other actions.

Before concluding this statement I want to mention two other points. First, we note that the Administration bill and the one submitted by the Chairman of this Subcommittee has another amendment to Part B–2 which would increase the amount for state administration from the present 3% to 5% or $20,000 whichever is greater. While we have not given testimony on this point, we note that it also comes in the so-called non-controversial category and the Council strongly supports this amendment. Second, the Council intends to work with the appropriation committees for an increase in the budget item for Part B–2 from the $7.0 million recommended for Fiscal Year 1972 to the $15.0 million which was the amount appropriated for Fiscal Year 1971. It would seem that this increase of $8.0 million in the appropriation for this item is entirely appropriate to implement the new amendment.

STATEMENT OF ERNEST L. BOYER, CHANCELLOR, STATE UNIVERITY OF NEW YORK

As Chancellor of the State University of New York, it is indeed a pleasure and an honor to present my views to the Special Subcommittee on Education chaired so ably by the distinguished lady from Oregon, the Honorable Edith Green. The deliberations of this Subcommittee have shaped the future of American higher education and I appreciate the opportunity to add my voice to the legislation currently being considered by this Subcommittee.

The State University of New York, with a total enrollment of more than 300,000 students on 70 campuses geographically ranging from Suffolk on Long Island to Fredonia in the western part of the state, is an institution unique in its diversity. Our university system includes not only the large university centers at Buffalo, Stony Brook, Binghamton, and Albany, but also twelve 4-year colleges of arts and sciences throughout the state, two major medical centers, specialized colleges of Forestry and Maritime, six 2-year agricultural and technical colleges, 38 locally-sponsored 2-year community colleges and five statutory colleges, four at Cornell University and one at Alfred.

We remain committed to the growth of quality higher education in New York State, but the purpose of my testimony at this time is to seriously question how long we can strive toward this goal without a program of federal institutional aid.

Accordingly, I strongly endorse the sentiments presented to this Special Subcommittee on March 30, 1971 by the panel headed by Dr. Joseph P. Cosand, Chairman of the Board of the American Council on Education on behalf of the major higher education associations. With the subsequent introduction of H.R. 7248 by the distinguished Chairman of this Subcommittee, I believe that the need for institutional aid has been given a major new impetus in the Congress, and I applaud the efforts of the Chairman in dramatically bringing this issue to the forefront of the national debate on higher education legislation.

Federal legislation to aid higher education must encompass three basic elements—support for students, support for construction, and support for institutions in the form of operating grants—; such legislation must recognize the interdependence of these factors. It seems to me that H.R. 7248, a most comprehensive piece of legislation acknowledges this interdependence and provides the framework for the future development of higher education.

Though the financial crisis that faces a state university such as ours differs from the plight of the private institutions, the crisis is very real indeed. We have a record number of applications for 1971–1972. More than 123,000 prospective students, an increase of 14,600 over the previous year, have applied for next September at 49 of our campuses that participate in our uniform admissions program. Because of cuts in the New York State budget, our planned enrollment growth of 10,000 additional students for the fall of 1971 will of necessity be decreased to 8,000. This discouraging news comes at a time when our state fiscal crisis is causing us to terminate key positions while our request for important additional faculty has been denied.

The combination of increasing costs, increasing enrollments and declining state revenue has created a dramatic turning point for many public universities. Confronted by this crisis, we are exploring innovative programs that will save money for the State University of New York in the long run. Yet it is clear that these measures by themselves will not solve our problems.

Higher education is truly a national resource and our states cannot be expected to bear the entire cost of post-secondary education. In New York State students are bearing a larger portion of this burden, for we have had to increase our tuition at the very time when reductions in New York's scholarship and direct aid program are being considered. It is clear, also, that we cannot continue to rely solely on categorical programs. We all know too well the vagaries of the appropriations process and the dangers of inadequately funded programs. The Federal Government must share in the total responsibility. A comprehensive federal program of general assistance grants would enable our institutions to use the money where the need is the greatest and to generally improve their academic position.

the need is the greatest and to generally improve their academic position.

Though the academic community has been in favor of institutional aid for several years, the type of formula to be employed has been debated. In New York State, the only state with an existing institutional aid program for nonpublic colleges, the formula is based on degrees awarded. However, I believe it is important that variables other than the number of degrees awarded should also be considered at the federal level. A formula that is based upon enrollment and recognizes the differences in costs of various levels of education (as the formula in H.R. 7248 does) would be of substantial benefit to State University of New York. If the formula in H.R. 7248 was applied to fall 1970 enrollment figures, the State University of New York would receive $29.3 million for this current fiscal year. For subsequent years, the amount of money received would depend upon changes in the University's total enrollment.

On the significant question of student aid, I also endorse the statement made by the panel led by Dr. Cosand. The existing student aid programs have been successful; the faults that have developed have not been caused by the structure of the programs, but rather by inadequate appropriations. If these programs—Education Opportunity Grants, College Work Study, and National Defense Student Loans—were funded nearer their authorization levels, I feel certain that we would be making significant progress in reaching the goal of extending educational opportunity to all students regardless of their economic situation. While President Nixon's proposals have been noteworthy in calling attention to the plight of the economically disadvantaged students, I think that the student aid proposals embodied in H.R. 5191 are not the proper mechanism to realize this goal. Furthermore, I would question the proposals in H.R. 5191 that would generally require many students, regardless of program or level of study, to borrow money in the private marketplace. We should avoid any program which requires students to mortgage excessively their futures as a means of financing their college education.

I regard the student aid proposals embodied in H.R. 7248 as a proper framework for consideration. In addition, I would like to call your attention to the comments of Mr. Martin Lefkovits, the Student Financial Aids Officer of the State University of New York, on H.R. 7248 and respectfully ask you to include them along with my statement. These comments are technical in nature, and are designed to strengthen the student aid provisions of H.R. 7248.

In conclusion, I believe that H.R. 7248 represents a comprehensive approach toward support for higher education in the 1970's. It meets the "emergency conditions" that threaten "the continued ability of many institutions of higher education to provide the education necessary to enable all citizens to make their full contribution to the nation's economic and cultural development." I applaud the efforts of this Special Subcommittee in developing the Higher Education Act of 1971, H.R. 7248, and I am deeply grateful for the opportunity to present this statement.

STATE UNIVERSITY OF NEW YORK,
Albany, N.Y., April 30, 1971.

Mr. HARRY HOGAN,
Counsel, Special Subcommittee on Higher Education,
Washington, D.C.

DEAR MR. HOGAN: It was a pleasure meeting with you last week. Your interest in the point of view of the student financial aid administrators, who can play a leading role in assuring the success of the programs proposed in H.R. 7248, is appreciated.

At this time I would like to review and expand upon some of the comments I offered during our discussion.

1. Sec. 401 *Page 6, line 2* EOG. Shouldn't this read "Subpart 1"?

2. Sec. 401 *Page 7, lines 8–12* EOG. Since there will be no set limit on the amount of an academic year award, other than the maximum total of $4,000 for 4 years or $5,000 for 5 years, a two year college could award such a student a total amount sufficient to prevent him from being eligible for any meaningful amount upon transfer to a four year college. As great as the student's need might be at the two year college, it will probably be even greater at the four year college. Thus, it may be well to set some lower ceiling, perhaps $3,000, on the total award of a two year college. Some flexibility could be built into this provision by permitting the two year college ceiling to be exceeded when the combination of the student's academic plans and needs and of his financial need make it necessary, justifiable and safe to exceed that ceiling.

3. Sec. 401 *Page 7, lines 19–22* EOG. The definition of the role of the student's *earned* income in determining eligibility for, and the amount of, an award does not seem quite clear. What would be the "other sources" in the amount of such earned income that would have to be considered separately? Does this statement (Page 7, lines 19–22) not conflict with lines 17–22 on page 11 which requires consideration of the student's income? Routinely, student aid officers do consider the student's own resources as well as those who would normally be in support of him.

4. Sec. 401 *Page 7, line 22 to Page 8, line 2* EOG. Does the "grandfather clause" apply to students who receive an initial year EOG award in 1971–72, even though this may be after the "effective date" of the Higher Education Act of 1971?

5. Sec. 401 *Page 9, lines 14–18* EOG. The use of the expression "part-time" here seems to imply a different meaning than does the expression "half-time" used in the Work-Study (see Page 24, line 12) and Loan (in effect since 1967) sections of the Bill. Unless it was intended that a student carrying no more than one course for credit be eligible for a Grant, I believe that it would be better to use the term "half-time", as is used for the other programs. The latter form does not necessarily require any further definition.

6. Sec. 401 *Page 11, lines 1–6* EOG. If the Commissioner is to establish criteria designed to distribute EOG funds among institutions so as to "most effectively carry out the purposes of this subpart" (Grants for Students of Exceptional Financial Need), can we not then accomplish by funding restrictions what he will be prohibited from effecting by issuing rules, regulations and guidelines, in accordance with lines 19 to 25 on page 30. (Existing Work-Study legislation, which would not be amended by this bill also permits this type of program control by the Commissioner.)

7. Sec. 401 *Page 11, line 16* EOG. There appears to be an unintentional elimination of the 3% administrative allowance for the EOG program. The phrase "and of section 463 of this Act (relating to administrative expenses)" which was added to the EOG program with the 1968 amendments is missing from this amended version of the EOG legislation.

8. Sec. 401 *Page 13, lines 17–22* Grants for Self-Supporting Students. If it is the purpose of this subpart to recognize and reward the self-supporting student (at least one who was self-supporting in the taxable year prior to enrollment) shouldn't it be made clear that this grant be provided independently of any other aid, including a regular EOG award for which the student might otherwise qualify?

9. Sec. 401 *Page 14, lines 12–14* Grants for Self-Supporting Students. The result of dividing in half the amount of earned income for a married student might very well result in his receiving less than half of the benefit from this subpart which a single student, given the same income, might receive. Further if the student's earnings were the sole source of income for himself, his wife and children in the taxable year why should he not be able to receive the full benefit that a single student could receive?

10. Sec. 426 *Page 24, line 22 to Page 25, line 5* Work-Study. This provision would permit the use of Work-Study funds as an outright grant to students, not otherwise qualified for EOG, in cases where work opportunities are limited in the area of a participating college. I can appreciate the need for having some kind of grant assistance available to students whose incomes make them ineligible for EOG and who, through no fault of their own and of the college they attend, are unable to find sufficient employment to help meet their expenses. However, since, the

justification for providing Work-Study funds to a given college is based on the reasonable expectation that such jobs are available in the area, there should be some limitation on the freedom of a college to transfer its Work-Study funds in this manner. In the absence of a separate fund for grants of this type, I believe that the Office of Education, with the assistance of an advisory council made up of financial aid administrators from colleges within the same state, should be required to approve any transfers of funds provided for in this section.

11. Sec. 442 *Page 30, lines 7–17* Transfers Between Programs. The unlimited transfer of funds between the EOG and Work-Study programs provided for by this section, could create several areas of administrative confusion and conflict. The Commissioner does not appear to be specifically excluded from considering a college's use of this provision when evaluating that college's applications for funds in succeeding years. Further, those colleges which use the funds allotted to them almost completely in accordance with the program purposes originally intended and who then find, for example, that a significantly higher proportion of higher income EOG eligibles are receiving awards at other colleges than they are able to provide, the difficulties of administering these programs by all concerned will be increased. Another problem will be increased by those colleges granting significantly greater numbers of EOG awards than would have been possible in their original allocation. If too many of these "surplus" awards are granted at 2 year colleges the problem at the 4 year colleges, to which these students may later transfer, in continuing such awards may be impossible to deal with. The flexibility which can result from a provision for transfer of funds between these programs, I believe, is desirable. However, considering the realities of appropriations and the allocation procedures under which colleges are provided these funds, perhaps transferability in either direction of 10% or 20% would serve this need without creating new problems.

12. Sec. 476. *Page 51, line 22 to Page 52, line 26* NDSL. This section appears to reimburse colleges for the full amount of principal and interest cancelled. At present, only the college's share of this item is reimbursed. This would appear to go a long way towards insuring the revolving fund nature of this program which was intended originally. However, if this reimbursement simply comes out of the same appropriation that the allocations do, then there is likely to be little net benefit nationwide.

13. Sec. 477 *Pages 52–55* NDSL. If there is no real evidence that it is either in the national interest, or more specifically, in the interest of education, to continue even the more limited cancellation features provided in this section, why is it necessary to do so? It is true that elimination of the 10%-type cancellation would save a great deal of money. However, at State University, for example, during fiscal year 1970 about 28% of the amount of principal cancelled was in the form of 15%-type cancellation. This could still cost the program a considerable amount of money and should be justified only on the basis that there is clear evidence that the interests referred to above were well served by it.

In addition to all of the above I have one general comment. It has been asserted in some of the published summaries of this Bill that the 10% and 20% contributions by colleges to the NDSL and Work-Study programs respectively, would be eliminated. Perhaps this was a misinterpretation but I do not find that, by amendment or otherwise, the Bill provides for this. I think that you would find much division in the higher education community as to the merit of eliminating these capital contribution requirements. On the one hand, if a college is at all able to meet its obligation in this regard, such contributions, given the low appropriations of recent years, helped to increase the total amount of available funds. On the other hand, there are many colleges that do have difficulty in meeting this obligation. Perhaps there could be some compromise, as I believe there is at present in the Work-Study program, whereby a college that can prove both need for funds and its inability to contribute to them could have the matching requirement waived.

I regret the amount of time it has taken to get this letter to you and trust that it may still assist you in developing the final draft of what is, in most respects, a most worthy bill. If I may be of any further assistance in any way, please do not hesitate to call upon me.

Sincerely yours,

MARTIN L. LEFKOVITS,
Student Financial Aids Officer.

Fairleigh Dickinson University,
Rutherford, N.J., May 7, 1971.

Hon. Edith Green,
Chairman, Special Subcommittee on Education,
Washington, D.C.

Dear Mrs. Green: As President of Fairleigh Dickinson University, the ninth largest private institution of higher learning in the country, I have been following the various bills designed to amend and extend the Higher Education Act of 1965. I had the opportunity of appearing at a hearing of the Senate Subcommittee concerned with the same problems, to present some of my ideas, and I am taking this means of presenting some of these same ideas to you. Considering how important your voice has become in higher education matters, I hope that you will have time to read my opinions. Bill HR 7248 contains many of the features which I think are important to higher education, and I hope my statements will support your views.

I speak from a lifetime of being involved with higher education. First, with the typical prestigious eastern institutions of Lehigh and Columbia, and then with 25 years in the land grant institutions of West Virginia University and Ohio State University. Since 1967, I have been President of an urban university, Fairleigh Dickinson which is an entirely different kind of an institution.

I believe that there are two things the federal government should accomplish in the new bill. It must broaden the opportunities for higher education for the country's youth, and it must assist with direct aid those universities that can best help in solving the social problems which I believe are our most pressing problems today. I wish to consider the latter problem first.

The urban universities have grown rapidly in recent years because of their response to community needs. They have looked upon themselves, not as intellectual islands, but as centers from which to reach out into the communities to use them as laboratories to provide a relevant education for students, while simultaneously responding to community needs.

The attached appendix will illustrate the character and type of programs at one urban university. From this description of some of the programs at Fairleigh Dickinson University, many relationships to our social problems are obvious.

However, I want to paint the picture with a broader brush. To do this, I want to take you back a bit in history. How has the federal government helped higher education in the past? Since the beginning, higher education has received continuous support from the federal government. However, there have been noticeable peaks in the quantity of support.

In the middle of the nineteenth century there was a clamor for education for more than the elite. There was a cry, too, for a different kind of education. The country's food needs were expanding. Industrial needs were expanding rapidly. The federal government responded to these needs, and the land grant colleges came into existence in 1861. Low cost education in the "agricultural and mechanical arts" became a reality for a large number of students. The land grant institution, with its government supported agricultural and engineering experiment stations, flooded the farmer and industrialist with new ideas and products. Industry exploited these and a major revolution resulted. An unacknowledged partnership between government and education and industry rocketed us toward world leadership. We became the first nation to produce a surplus of food, while simultaneously becoming an industrial nation.

During the second world war, the federal government again gave significant suppport to higher education. This time the government turned to a different group of institutions. The graduate departments and technical schools became the centers for significant research and development, and—an unexcelled war machine resulted.

Another peak of federal support occurred after Sputnik. Again the informal but effective partnership—government, business and education—responded to produce unbelievable success in space exploration.

Today our problems are primarily social problems. Is it not time for another peak federal effort to support higher education? Is it not time for the federal government to take that bold step and invest in the search for solutions to the social problems through another partnership with higher education? I believe it is.

Our problems are social problems—urban problems. Therefore, now as in the past, a major portion of the funds must flow to those institutions which, through experience, show they are capable and willing to do the job. The urban universities, as a group, have the most experience in working with community problems. It is my opinion that with government support they will be able both to speed up the work they are already doing, and explore new solutions. They will develop the team research necessary to analyze and tackle community problems. They will expand their service as a resource bank, ready to answer the call for expertise from the government and the community.

The urban universities, and others who have developed urban programs, stand ready to respond to the national need, but they cannot do it alone. They need business—and most importantly—they need government support.

Because of these views, I was especially interested in Title VIII, pages 74 through 80. This provides the type of direct assistance to institutions which private institutions desperately need to remain viable and responsive to the changing needs. I do wish that additional aid could be given to those institutions which are experienced, capable, and willing to help solve our social problems.

Turning now to the need to broaden the opportunities for students, I am pleased to see the concern expressed in HR 7248 for aid to students. I support the Bill's effort to encourage qualified high school graduates with exceptional financial need, as stated on page 5. Title IV, I hope that I am correct in assuming that p. 13, Subpart 2, is directed at helping part-time students. I want to make a special plea for the part-time student. Not many years from now the importance of continuous upgrading through part-time education will be accepted as a desirable feature in the development of our human resources. At present, except for veterans, the large number of part-time students who are upgrading themselves, are given no help by the government. The numbers of working students who would take courses part-time, would be greatly increased if there were financial assistance for them.

Aid to the students in the form of grants, loans, work study programs and cooperative education programs, and aid to the institutions in implementing them, are all important elements in broadening opportunities for students. The flexibility introduced in Section 467, page 30, is extremely important to achieve the most efficient use of the support. I was therefore pleased to note the understanding of the importance of flexibility displayed in the Bill. At many institutions the financial aid officers are already working out "packages" of aid, loans and work, depending upon the individual needs and abilities of the students. This is being done in order to spread limited funds as far as possible. I am sure that more money and greater flexibility will not only make it possible for more students to go to college, but also help prevent some students from dropping out because of economic reasons.

I am especially pleased with what this will do for the middle income group. Rapidly rising tuitions in private institutions, and the present criteria for obtaining financial aid, are steadily cutting down on the choice of opportunities for the middle income group. If the present trend continues, the rich and some of the poor will be able to choose their institutions and their role in life, but members of the middle income group, if they can afford to go to college, will be limited to the low cost institutions regardless of what educational programs they may wish to pursue. In considering the problem of expanded student financial aid, this middle income group must not be forgotten.

To modernize present programs and implement new programs, institutional facilities must be added. In the period when private gifts are decreasing it is especially important to see the proposed extension of the Higher Education Facilities Act of 1963.

In summary, I wish to compliment you and the Committee for the broad gauge character of HR 7248, which responds to so many of the needs of the financially hard pressed institutions of higher learning. I hope that in subsequent modifications of the Bill the importance of support for the middle income students and the part-time students will not be lost, and that high priority will be given to direct aid to urban universities.

Sincerely yours,

J. OSBORN FULLER,
President.

ABOUT FAIRLEIGH DICKINSON UNIVERSITY

An urban university.

A multi-campus university (Rutherford, Teaneck, Madison, N.J.).

With enrollment of 20,211, Fairleigh Dickinson University is the ninth largest privately supported university in the country. Its student population is almost evenly divided between day and evening students on all three campuses, with the result that each unit is relatively small. This structure encourages interreaction with a number of communities and gives us many advantages of both the small college and the large university.

As a urban university responsive to the needs of our communities, we have developed:

A Reading and Study Institute at Wayne, New Jersey, for students who had poor high school records. In its 12-year existence, 1,530 have benefited from this one-year program, with 80 percent going on to accredited colleges. We have also utilized this program to assist the disadvantaged.

A two-year experimental college for those students who had not yet decided on a specific field, or whose performance in high school was below their potential. Since 1964, by utilizing small classes and to a large extent the tutorial process, 900 have gone on to accredited colleges with full credit transferred.

One of the first programs for dental hygienists, which has provided training for more than 500 since 1948.

One of two pilot programs designed to meet the nursing crisis in the early fifties. From this program 406 students received associate in arts degrees and qualified as registered nurses. Because the demand for nurses having four years of training was increasing, we now have a baccalaureate program. We are still providing, on a cooperative basis, the liberal arts courses for the nursing programs run by two local hospitals.

A bachelor of science in technology program our College of Science and Engineering developed with the aid of teachers from the two-year technical institutes. Transfers from their two-year program who have shown promise can now earn a four-year degree in technology. Over 200 students registered in the first semester, far exceeding our expectations.

At Wroxton, England, both undergraduate and graduate programs in English literature, history and government for American students on a one-semester basis. More than 500 have studied at Wroxton College since its founding in 1965.

At St. Croix, Virgin Islands, an undergraduate teaching laboratory in the sciences related to oceanography. The West Indies Laboratory, as we call it, will be the first laboratory built without a large government grant. We were so convinced of the importance of the new field of oceanography that we proceeded with our plans despite the fact that Sea Grant funds had been exhausted.

A Master of Arts in Teaching program, with help from the Ford Foundation, with 300 graduates since 1964.

A unique program for the degree of Doctor of Education which will begin next September. It builds on a master's degree regardless of major, and gives credit for work experience in any phase of educational service. The program is designed by the student and approved by an intercollegiate advisory committee. Courses may be used from any college in the University or from other universities.

Two other important programs which we have developed are a complete departure from the normal collegiate pattern of operations.

The first is Saturday College, which is designed for the adult who wants to upgrade himself, and classes are offered late Friday afternoon and on Saturday. There are no admission requirements and when performance standards are met, full college credit is awarded and transferrable. The response to the concept has been so tremendous that we are expanding our offerings. Two other local colleges are initiating similar programs as a result of our success.

The second is the volunteer community service program. The University faculty and administration offer guidance, and assist in making agency and community contacts for students who want to contribute volunteer service. With little publicity the program keeps growing. At last count over 400 students had responded on one campus alone. Students are operating a 24-hour "Hot Line" on two campuses, for people undergoing severe personal stress; tutorial service for the preschool black children in Newark; Big Brother and Big Sister units in cooperation with the national organizations; working with a local town council, and numerous other related projects.

THE UNIVERSITY OF MICHIGAN,
Ann Arbor, Mich., April 28, 1971.

Mrs. EDITH GREEN,
Chairman, Special Subcommittee on Education,
Washington, D.C.

DEAR MRS. GREEN: This refers to your invitation to comment on H.R. 7248 which includes extension of the Higher Education Act and other provisions concerning higher education which you have introduced in the House. This is an excellent bill and one which will be of much interest to all who are concerned with the field.

I shall comment first on some aspects of Title II.

In Sections 201 and 221 are provisions "there are authorized to be appropriated such sums as may be necessary for the fiscal year 1972 and each succeeding fiscal year ending prior to July 1, 1976."

I realize that in the past the funding of these programs has been much less than the amounts authorized. I do believe, however, that the inclusion of specific amounts in the authorizing legislation, as is the case in the latter part of Section 221, is of material assistance in securing appropriations nearer to the authorized amounts, since it represents the opinion of a Committee which has made a special study of the programs. I think specific amounts also influence the Administration each year in the formulation of the budget and libraries certainly need all the assistance they can get from this quarter.

In light of this, I therefore suggest the following specific provisions be included.

1. Section 201, line 9, after "1971," the following:

"there are authorized to be appropriated $100,000,000 for the fiscal year 1972, $110,000,000 for the fiscal year 1973, $120,000,000 for the fiscal year 1974 $135,000,000 for the fiscal year 1975, and $150,000,000 for the fiscal year 1976."

2. Section 221, line 10, after "appropriate" the following:

"$40,000,000 for the fiscal year 1972, $42,500,000 for the fiscal year 1973, $45,000,000 for the fiscal year 1974, $47,500,000 for the fiscal year 1975, and $50,000,000 for the fiscal year 1976, and provided that at least 50 percent of such amounts be devoted to fellowships for training in library schools."

In Section 221, no stipulation is made concerning the *type* of training programs, this decision being left, as it is in the present bill, to the Office of Education as the administering agency. Prior to this year, the funds had been divided between fellowships for library schools and institutes, workshops, etc. This is in accordance with the intent of the law as I understand it. This arrangement has been of great benefit to libraries and the publics they serve by not only making it possible for many needy students to secure training but also in attracting very able students to the profession and enabling outstanding students already out in the field to return to school and study for the doctorate.

The Office of Education now has decreed, without consultation with your Committee or with people in the field and contrary to the intent of the law, that all money must be devoted to institutes and the fellowships phased out. Furthermore, the institutes will not be devoted to continuing education in librarianship as in the past, but rather to programs for individuals reaching down as far as the high schools to acquaint them with library work and possibly train some for clerical positions in libraries.

We do not believe institutes are a satisfactory vehicle for training for entrance to the profession—their function is chiefly continuing education—and we particularly object to placing *all* the money into a doubtful and untried program and doing away with a fine fellowship program which has proved its worth. This problem of training was treated in greater detail in my testimony before the Committee on March 24. These are the reasons for the provision for a percentage for fellowships included in no. 2 above.

The remaining provisions of this bill fall outside my area of particular competence. However, I do approve strongly of the efforts in Title IV for Student Assistance; of Title VI which includes extension of the International Education Act, the assistance to institutions in the acquisition of equipment, and the extension of the networks for knowledge program; and of Title VIII for the extension of the Higher Education Facilities Act. All of these are of much importance to libraries.

Finally, Title VIII, providing for general assistance to higher education, is an area of vital importance to all institutions of higher education today. The amounts seem to me to be reasonable and I particularly commend the simple formula based on enrollment for computing totals. I have long been an advocate of both categorical grants as represented by the library programs in Title II and the general grants represented here. Each has its place and particular value and in my opinion higher education will be for the remainder of this century a matter of increasing national concern and requiring and justifying federal support.

I wish to express my sincere appreciation for your interest and support of libraries and higher education for many years, and interest of which this bill is further evidence. We are all indebted to you and I appreciate particularly the opportunity to offer my comments on this very important bill. We will assist in its passage in any way we can.

Sincerely,

EDMON LOW, *Professor.*

SAN JOSE CITY COLLEGE,
San Jose, Calif., March 16, 1971.

Hon. DON EDWARDS,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR MR. EDWARDS: President Nixon recently sent proposals to Congress to revamp Federal student aid programs. In general, the President's proposals are similar to those he sent to Congress last year, but with some significant differences. The Administration proposal is being divided into two bills—one to create a National Foundation for Higher Education (H.R. 5192) [S 1062]; and the other an omnibus bill revamping student aid programs and extending most existing higher education programs, now scheduled to expire June 30 (H.R. 5191).

HEW Secretary Elliott L. Richardson, testifying before the House Special Subcommittee on Education March 2, stated that the subject of Federal support to institutions of higher education "requires more thought," including a study of the relationship of other agencies as well as the Office of Education to higher education institutions. "I would hesitate to propose institutional aid that just underwrites the status quo," he added.

I respect a worthy national goal of giving the fiscal means by which all people, who can benefit, the opportunity to attend college. The intent of the Administration's program deserves wholehearted support. However:

1. It does "underwrite the status quo" to a degree.
2. It discriminates against students of the California Community College system—700,000 students.

These objections to the bills are stated with the belief that the Administration does not know these consequences will result. The consequences result from one source—TUITION. I choose not to enter into argument in this correspondence as to whether tuition is good or bad for the stated national purposes, but rather I choose to deal with the fact that most states employ the student tuition vehicle to defray community college costs. California does not. In California it is illegal to charge a community college student any tuition fee.

Because of the Administration's bill, more students will be entering community colleges and greater percentages of the poor will have expanded educational opportunities. States that charge tuition will receive a proportionate income increase to help offset the proportionate expenditure increase due to larger enrollments. This increased revenue is federally funded. In California, more students will come to the community college and the entirety of their Federal loans and grants will be spent on their personal necessities of life. No proportionate income will be derived by the college through these Federal funds.

San Jose Community College District, Santa Clara County, California, receives approximately 20% of its operating income from the State, a fraction of a percent from Federal sources, and approximately 80% from local property taxes. The District went to the local taxpayer in February for an operating tax increase and lost the election 2:1. The Governor of the State of California has submitted his budget to our legislature calling for status quo in community college financial support—the State has exhausted its financial resources. For FY 1971–72 we shall reduce administrative salaries 20%, replace no teachers nor hire new teachers; but, we are required by law to admit an additional 1,200 new students to our college—now 14,000 enrollment.

If a state has a $500 tuition, and a student needs a Federal loan to attend their college, is not the Federal loan going to pay the tuition which in turn pays part of the operating costs of the college? Which in turn "underwrites the status quo?" I suspect the President's program, as noble in intent as can be, will become a partial device whereby the poor can become the vehicle through which college budgets can be balanced by long term debt and Federal grants.

If I am correct in all suppositions so far, and the Administration's bill is passed as I understand it (without regard to the affect of tuition in various states) then I, as a Californian, must come to immediate grips with the question of tuition. Almost every other state will be receiving indirect Federal aid to operating expenses, and California will not be receiving its proportionate share. In fact, California will be subsidizing, through income taxes, the other states' community colleges at a time when it can hardly afford its own.

Whatever the results, concerning tuition as an end product of these bills, my alarm is that we have not thought through the possible consequences of this action. Further, do these bills treat states with $100 tuitions, $300 tuitions and higher, in equitable fashion?

Should a state not having a tuition receive a direct grant, per qualifying student, from Federal sources to offset the advantage of the tuition charger? Should the Federal rules establish a level of tuition below which a college receives direct aid, and above which there is some form of punitive or "reluctant aid" (benign neglect)? Should a state with a very low percent of effort of state budget higher education, reluctant to levy income taxes and with median property taxes, be allowed and encouraged to support its community colleges through Federal supported tuition? These are difficult political questions, but certainly affect the stated national purpose, and must be met head-on.

Another area of the Administration's plan, which deserves some particular scrutiny, is the student loan aspect. Under the Administrative bills, the N.D.E.A. loan program (sometimes called N.D.S.L.) would be continued as a revolving fund (currently about $140 million) with no new appropriations in it, but new loans permitted from repayments. For new loans, the present forgiveness for teaching and military service would be eliminated. N.D.E.A. money would first be used to insure that no student now receiving aid would get less money under the new system, with the remainder providing subsidized loans under the basic aid program for needy students.

Due to the experiences of San Jose Community College District, I question the continuance of the National Defense Student Loans, and believe these dollars should be used as additional sums for Federal grants. Obviously, if our experience is atypical, then my solution should be ignored. However, I suspect on intuitive (soft research) premise that we are not atypical. When I ask my colleagues in other colleges what their delinquency ratio or percentage is in National Defense Student Loans, I am told percentages so far below our experiences, I feel guilty that I am negligent in my duties. However, I frequently find that delinquent percentages are being computed (by them) using the total sum of loans outstanding rather than related to total loans in *repayment status*.

Here is our experience as of January 1, 1971:

Total number of people in repayment status	183
Total loans in repayment status	$113, 294
Total number of people delinquent	94
Total number of dollars delinquent	$57, 275
Loans past due as a percent of total in repayment status (percent)	50
People past due as a percent of total in repayment status (percent)	51

Aging sheet of delinquencies:	*People*
1–6 months	24
7–12 months	29
1–2 years	20
2–3 years	8
3–4 years	5
Over 5 years	8
Plus bankruptcies	6

Watch now as the "window dressing takes place:

Total gross loans outstanding January 31, 1971	$249, 079
Total borrowers	561
Total number of people delinquent (20%)	94
Total dollars delinquent (23%)	$57, 275

We employ the usual bad debt collectors, but their success record is marginal. When they are successful, their fee bites soundly into the dollars recovered—Federal dollars. If a college is aggressive beyond the usual means, and spends district funds on personnel to track down delinquents, they are rewarded by an innerglow that they have been "businesslike" and have caused obligations to be met, but all costs are out-of-pocket. A college which does the minimum of effort is more greatly rewarded because they are not out-of-pocket one cent of their money—only Federal dollars. The system, therefore, rewards casual attitudes toward collections.

It seems to me that the prime beneficiaries of the N.D.S.L. loan program will ultimately be the bill collectors, data processing centers which offer billing services, and the bad debtor. All the money will "revolve" eventually into their hands. My question then is, "Does this program, as well intentioned as can be, reward the wrong people?" What really are the consequences of non-payment of the debt? What are the probabilities of collection? Do we have a system of reversed rewards which support one national purpose, and are contrary to another national moral fibre?

If delinquency rates continues to rise, then these "loans" are in at least one half the cases, grants, but not issued in a way to encourage personal dignity, responsibility and accountability.

Because of the major goals of education, certain general types of people are attracted to the institution for employment. They do a fine job in attaining the major goals of the institution, but I question whether the ability to aggressively collect loans is compatible with their nature—especially when the funds are not in the college's proprietory mainstream.

If the Federal government is reluctant to use the $150 million as direct grants (which it will become anyway), and is insistent upon the loan concept, why not use the $150 million to further subsidize the interest rate through banks at lower interest rates. Banks are much more effective than colleges in loaning and collecting money, and the process would introduce young people to the procedures of one of our most able financial institutions. The $150 million could go far in reducing the interest banks now charge on student loans.

Thanks for the time spent reading this opinion, and I hasten to add that I am convinced that the present Federal Administration, as well as past Administrations, has the best interest of education at heart as they propose their legislation; and the problems I point out are the covert rather than the overt effects of the bills. I do not say that I know I am right, but I do hope I have caused some questions in your mind toward which the answers will result in a finer higher education bill enactement.

Sincerely,

R.W. GOFF,
Assistant Superintendent, Business Services.

UNITED NEGRO COLLEGE FUND, INC.,
New York, N.Y., May 18, 1971.

Hon. EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: In response to your request, you will find enclosed a copy of a statement entitled "The Financial Problems of Private Negro Colleges" which offers an outline of the major financial problems facing the kinds of institutions which the thirty-six member colleges of the United Negro College Fund represent.

The UNCF Division of Institutional Services has prepared this report in response to your request for a statement to be published with the hearings of the Subcommittee on Education with regard to the Higher Education Act Amendments of 1971.

You will find enclosed for your consideration a copy of a memorandum dated April 1, 1971 addressed to the Honorable Elliott Richardson, Secretary, Department of Health, Education and Welfare, the Honorable Sidney P. Marland, Commissioner of Education and Mr. Peter Muirhead, Executive Deputy Commissioner, Office of Education, from presidents of member institutions of the United Negro College Fund and other black colleges. This statement indicates clearly that the signatory presidents agree with the principle that federal aid should go first to students in the lowest income categories and to institutions that graduate large numbers of students from low income families. At the same time they have called for reconsideration ~~of the pr~~oposed aid eligibility program.

It is our considered judgment here at the UNCF that an all-out effort needs to be made to secure basic institutional support for colleges as well as expanded student financial assistance by means of direct grants.

For the purpose of identifying and describing the United Negro College Fund, you will find attached a general information brochure.

Sincerely,

VERNON E. JORDAN, Jr.,
Executive Director.

THE FINANCIAL PROBLEMS OF PRIVATE NEGRO COLLEGES

INTRODUCTION

A. Some Basic Assumptions

The financial problems at private Negro colleges must be interpreted in the light of certain basic assumptions. These assumptions include: (1) a recognition that a serious social, economic and political gap exists between the races in this society; (2) an awareness that Negroes still do not get equal treatment, especially with regard to higher educational opportunities; (3) a realization that the cities and the nation continue to face a battle for survival; (4) that the resolution of this battle for survival should be a major national priority guiding the work and grant-making policies of major foundations as well as governmental agencies, corporations, organized church institutions, and the communications industry.

A number of significant factors at work in the present society guarantee that race will continue to provide a substantial basis for conflict, but this is not the only significant aspect of racialism today. A full assessment of the significance and implications of racialism in American society calls for a kind of research and examination of economic phenomena which remain yet to take place but which hold great significance, not only for Negro colleges but for other basic institutions in American society.

B. General Background

Some general background factors relating to difficulties which private Negro colleges experience with meeting annual costs and relating to their future survival stem from the historic effects of racial discrimination in the United States. They include (1) The manifestations of racism which remain to be overcome in all areas of United States life and policies at home and abroad; (2) the inadequate educational opportunities for blacks and members of other minority groups who are often ill-prepared by public elementary and secondary schools; (3) the widespread poverty, hunger, and poor health conditions which continue to exist among blacks and low-income groups across the United States because of a failure to enforce federal standards and guarantees in ameliorative programs; (4) high unemployment rates among blacks and racial discrimination in employment which rob many families of a decent living and of a means to survive in dignity when work is not available; (5) racial differentials in law enforcement procedures which preclude fair and impartial justice and adequate protection against drug abuse and crime; (6) deplorable housing conditions including a lack of availability of decent housing for families and a lack of equal access to the total housing market.

In many of these areas over the years progress has frequently been far too slow.

C. Achievement of the Private Negro Colleges

Most of the private Negro colleges were established during the period immediately following the Civil War. For more than a hundred years they have helped to bear the brunt of national responsibility for the higher education of young black people. They have discharged this important role in relative isolation from other parts of the higher education community and with general neglect from wide areas of federal and private financial support. Yet they have contributed greatly to the strength and stability of life in the United States. As a result of their achievements and because of their continuing importance in meeting the need for more college graduates, each of these colleges constitutes a vital and essential national resource.

D. *The Financial Problems of Private Negro Colleges*

1. *Some Key Issues*

Some of the key issues for private Negro colleges in meeting annual costs involve: (a) the inflationary spiral of costs which affects the entire economy, including college operating costs; (b) shifting enrollment patterns; (c) a reluctance to raise tuition rates as a matter of institutional policy; (d) spiralling costs associated with educational and general expenditures of colleges; (e) the high cost of education supplements required to meet normal expenses even when enrollment is expanded through the provision of additional student financial assistance in the form of scholarships, fellowships, loans and grants; (f) undercapitalization and lack of sufficient financial support; (g) library expenditures associated with the expansion of science and technology but required for quality instruction and maintenance of accreditation; (h) the competitive scales of faculty compensation required to attract and hold competent teachers; (i) inadequate investment and banking policies which have failed to achieve the best possible yield from the investment of limited endowment funds, and (j) rising and unprecedented costs of insurance and security protection on campuses.

Among the salient issues relating to the future survival of these colleges are: (a) a pressing need to expand enrollments among low-income students who often have to be turned away because their families' financial resources make it impossible for them to meet existing costs of tuition and fees; (b) the existence of competitive recruitment policies in the face of financial barriers to rapidly expanding enrollments; (c) the effects of recession expressed in wage cuts and expanding unemployment; (d) the danger that existing endowment fund portfolios may decline in value as a result of uncertain economic conditions in the society at large; (e) low investment yields on endowments because of the lack of imaginative investment policies.

2. *General Conclusions*

(*a*) *Enrollment, Student Aid and the Cost of Education*—

(*1*) *Enrollment:* The most significant deterrent to immediate expansion of enrollment to meet the growing demand for higher education, and for professional and technological training at private Negro colleges is the lack of adequate financial resources, especially in the form of scholarships, loans and grants.

(*2*) *Student Financial Aid:* With regard to student financial aid, there exists a need for immediate and urgent relief. College enrollments have declined and promise to continue their decline if more funds are not made available. A large proportion of the students at private Negro colleges come from low-income families. There are those who can get no support from their families. Often students who qualify and receive admission to these colleges as freshmen cannot attend without financial assistance. Funding at the present level is inadequate for students currently enrolled in the sophomore, junior and senior classes at these institutions.

When a substantial proportion of the student body comes from families with annual incomes of $5,000 or less, an exceptionally large number of these students are forced to withdraw from college because of a lack of sufficient financial resources. It is important to the internal health of the nation that more financial aid be made immediately available for students enrolled at colleges such as these.

(*3*) *The Costs of Education:* A reverse side of the student financial aid problem relates to the fact that even an expansion of enrollment through an increase in the amount of student financial aid would place a heavy burden on the private Negro colleges which maintain a low tuition rate as a matter of policy. This means that since tuition covers only a fraction of the educational costs, the enrollment of more students will create additional expenditures which the institutions must cover from other sources. As a result, private Negro colleges require additional and substantial funds for meeting the demands for expanded enrollment.

Although recent bills have been proposed in Congress to provide all colleges with $100 per year for each full-time freshman or sophomore, $150 for each junior or senior and $200 at smaller colleges for each of the first 200 students enrolled and another $100 for the next 100 students; even this proposed legislation, if enacted, will fall short of meeting the financial burden which these private colleges bear.

(b) *Program Development and Enrichment: Current Operating Expenditures*—

(1) *Faculty Salaries:* The present faculty salary scales at private Negro colleges constitute a personal and professional subsidy to the colleges for the benefit of society at large provided by the relatively low pay of faculty members and especially senior professors. As a result, these colleges have experienced difficulty in attracting and retaining faculty members.

(2) *Library Expenditures:* The failure of legislatures, foundations, and the general society to provide adequate support to Negro colleges has been reflected in inadequate library budgets, facilities and staffing arrangements. Libraries at Negro colleges have received sad neglect because administrative officials have had to stretch existing funds so thinly that libraries have never received adequate support. As a result, only a few of the Negro college libraries have never received adequate support. As a result, only a few of the Negro college libraries meet the Association of College and Research Libraries standards.

The private Negro colleges have made a considerable effort to overcome their library deficiencies. This is reflected in the fact that although few private Negro colleges meet the established standards for library expenditures, many of these institutions meet American Library Association minimum standards for the number of books in college libraries. These colleges will require massive financial support to overcome their deficiencies, especially as a greater variety of teaching materials come into use for supplementary lectures and textbooks.

While the physical facilities of most of the libraries at private Negro colleges appear more adequate than the materials they house, most of these libraries are woefully understaffed. This information about the status of library resources and services at Negro colleges is especially instructive because these institutions run the quality gamut from excellent to poor but with a curve skewed toward the lower end. They share, therefore, significant problems in common with most small college libraries. Yet these problems at Negro colleges are intensified by a lack of sufficiently trained library personnel and by the maintenance of a conscious and deliberate policy of admitting students with potential but who often have been poorly prepared for college work.

A need exists for library assistance, training, and research which will permit the establishment of special library counselling programs. These might include a distinctive orientation for students by means of programmed instruction. The use of teaching machines might serve to augment the personal assistance that librarians serving as special counsellors might provide in advising students with reading difficulties and those who have not had access to good libraries.

To the extent that amendments to Higher Education Act Title II provisions for Library Assistance, Training and Research afford an opportunity for colleges to upgrade the quality and quantity of collections and staff, they will meet a genuine need. To the extent that the new legislation understates the magnitude of support required, it merely raises false hopes for the future.

(3) *Physical Plant:* All of these institutions urgently require funds for construction and renovation of facilities. The amortization costs associated with loans on recently completed structures have contributed substantially to present indebtedness and deficits. Experience demonstrates that when deficits occur the first item to be neglected tends to be the matter of renovation and repair of existing facilities. Unfortunately it does not take long for the apparent short-term benefits derived from cutting back on maintenance expenditures to turn into massive renovation costs to overcome the deterioration of the physical plant and facilities.

(c) *Current Income and Endowment.*—The nature of income sources for current operating expenses and the existence of substantial deficits at private Negro colleges indicate the hand-to-mouth character of their financial existence. Few, if any, of these institutions could survive for long on their present endowment income. Each institution relies heavily on tuition and fees as well as gifts and grants for income to meet current operating costs.

3. Prospects for the Future

Although many of the basic problems and financial difficulties affecting private Negro colleges arise from causes generated in the world off campus, these institutions possess the capacity to solve certain kinds of problems through planning, management, and effective use of available resources.

These colleges have identified their financial problems. Plans for the resolution of these problems may be seen most readily in efforts to secure more support at the local, state, and federal levels of government as well as from private sources. Above all, it is clear that a need exists for new ways of thinking about higher education. These new ways of thinking call for promotion of effective leadership in planning and thinking among those who are most immediately familiar with and involved in the operation of individual colleges together with new responses from governmental and private funding sources.

MEMORANDUM

APRIL 1, 1971.

To: Hon. Elliott Richardson, Secretary, Department of Health, Education, and Welfare; Hon. Sidney P. Marland, Commissioner of Education; Mr. Peter Muirhead, Executive Deputy Commissioner, Office of Education.

I

We, the undersigned presidents of member institutions of the United Negro College Fund and other private colleges and universities, have read with a great deal of interest and concern the President's message on higher education sent to the Congress February 22, and the basic program of aid eligibility for students pursuing higher education with federal financial assistance. There are two aspects of the message and aid eligibility program with which we are concerned.

A. First, we want to go on record as agreeing with the principle that federal aid should go first to students in the lowest income categories and to those institutions that serve large numbers of students from low income families. It is a fact that arrangements for financing low income students have not assured equal access to higher education for those students. Institutions serving a disproportionate number of students from low income families, specifically the black colleges, do not receive sufficient funds to meet the needs of large numbers in their student bodies who want and should have support with federal funds. The President's message is correct in stating that "at the present time, federal student assistance programs do not always reach those who need them most." Thus, we support the principle "that federal funds go first, and in the largest amounts, to neediest students."

B. On the other hand, we are quite unhappy with the proposed Aid Eligibility—Basic Program (Attached). This program as presently proposed embodies a worthy principle—i.e., to reach every student who could and should be in college, thus enlarging the number of students reached by federal aid. But the proposal also embodies several principles which seriously diminish the effectiveness of federal student aid.

1. The proposed arrangements diminish the per student amount of the Equal Opportunity Grant and college work study. At present, a student can obtain up to $1,000 in EOG and up to approximately $800 in college work study for a total of $1,800.00 in debt free funds or money that doesn't have to be repaid. Under the proposed aid package, a student can receive a *maximum of $1,000.00 in combined EOG and college work study (debt free) funds.* We propose that the combined EOG and work-study limits be raised to $2,000.00.

2. The proposed aid eligibility basic program includes a fundamental shift to the principle that a larger part of the financing of education should be borne by the student in the form of loans. This places a heavier burden of debt on the student and heavily mortgages the student's (and the spouse's) future income. As proposed, therefore, the program's intent to provide additional incentive for students from low-income families to go to college in all probability will discourage these students from pursuing higher education. Instead of loans being a

source of last resort in financing a student's education, under this proposal they become the primary source of federal assistance.

At a time when our colleges are being encouraged to emphasize alumni support, and are developing elaborate programs to stimulate giving among alumni, heavy indebtedness at graduation time severely diminishes, if not eliminates, giving to Alma Mater as a sentimental priority. The pressure of the legal obligation to repay a debt is too burdensome.

3. The program as proposed is distinctly disadvantageous to private black colleges and universities. Rather than equalizing opportunities between public and private institutions, the program discourages students from matriculating in private institutions and encourages their matriculation in public institutons. The student's optons and alternatives are significantly diminished. For example, the average cost of attending a private black college as an on-campus student is $2,300.00. A student would have to borrow under the proposed plan $1,300.00 annually whereas under the present plan, he would have to borrow only $500. Over a four-year period, the loan would be $5,200 rather than $2,000. These differences would drive students from private to public institutions, where charges to students are much lower.

II

We strongly urge that the newly proposed aid eligibility basic program be reconsidered. As presently proposed, the arrangement for limiting grants and work-study to a total of $1,000.00 per student defeats the ultimate objectives of the program. The program also operates to the disadvantages of students from low-income families and denies these students the privilege and opportunity of choosing a private college. As proposed, the aid eligibility basic program is a step backward in federal assistance programming rather than a step forward.

Respectfully submitted,

HERMAN H. LONG,

President, Talladega College, President, United Negro College Fund

(And 24 others).

AID ELIGIBILITY—BASIC PROGRAM (COST OF EDUCATION LOANS AND ALL OTHER STATE AND PRIVATE AID WOULD BE IN ADDITION TO THESE BENEFITS)

TYPICAL RESOURCES FOR A STUDENT FROM A 2-CHILD FAMILY, 1 OF WHOM IS IN COLLEGE

Adjusted family income [2]	Family contribution	Equal opportunity grant/work-study	NDEA-type subsidized loan	Family contribution plus aid	Average summer savings	Total student resources	Cost of education loan [1]
$0 to $3,500	0	$1,000	$400	$1,400	$300	$1,700	$1,500
$4,500	$220	780	400	1,400	300	1,700	1,500
$5,500	430	570	400	1,400	300	1,700	1,500
$6,500	640	360	400	1,400	300	1,700	1,500
$7,500	850	150	400	1,400	300	1,700	1,500
$8,500	1,050	0	350	1,400	300	1,700	1,500
$9,500	1,250	0	150	1,400	300	1,700	1,500
$10,000 and above	1,400	0	0	1,400	300	1,700	0

TYPICAL RESOURCES FOR A STUDENT FROM A 5-CHILD FAMILY, 2 OF WHOM ARE IN COLLEGE

$0 to $5,500	0	$1,000	$400	$1,400	$300	$1,700	$1,500
$6,500	$110	890	400	1,400	300	1,700	1,500
$7,500	195	805	400	1,400	300	1,700	1,500
$8,500	280	720	400	1,400	300	1,700	1,500
$9,500	360	640	400	1,400	300	1,700	1,500
$10,500	440	560	400	1,400	300	1,700	1,500
$11,500	510	490	400	1,400	300	1,700	1,500
$12,500	580	420	400	1,400	300	1,700	1,500
$13,500	650	350	400	1,400	300	1,700	1,500
$14,500	700	300	400	1,400	300	1,700	1,500

[1] Cost of education loans would be available to eligible students who attend schools with average annual costs in excess of $1,400. The availability of these loans to students at various income levels is subject to appropriations for interest subsidy payments.

[2] Adjusted family income represents gross family income adjusted to reflect the number of children in the family, the number of children in school, extraordinary family expenses, and capital assets.

Note: Expected family contributions at higher income levels will depend importantly on the amount of capital assets available for meeting educational costs, and on other special family circumstances, as well as on family income. Hence, any aid to students from large families at higher income levels will depend on the overall financial situation of the family, and not simply on income.

UNITED NEGRO COLLEGE FUND—GENERAL INFORMATION—1971

INCORPORATION

The United Negro College Fund, Inc., a national and permanent organization, was incorporated April 25, 1944 under the Membership Corporation Law of the State of New York.

TAX STATUS

It is a tax-exempt corporation under the United States Internal Revenue Code. Contributions and bequests to it are deductible as charitable contributions and bequests.

PURPOSE

Activities and services of the Fund are entirely for the benefit of its member institutions. These activities consist of conducting solicitations and campaigns for securing contributions and bequests. In pursuit of this general purpose, the Fund also does the following:

1. Organizes and administers educational programs and services of mutual benefit to the member institutions;
2. Serves as a center of information concerning the higher education of Negroes in the United States.

MEMBERSHIP

At the preset time, thirty-six colleges and universities are members of the Fund (see page 4). To be eligible for membership in the Fund, an institution must be a non-profit, private, senior college, university, or professional school operated solely for educational or scientific purposes. Further requirements for membership are:

1. Regional accreditation;
2. Tax-exempt status;
3. An agreement that the *one* and *only* annual appeal for current operating funds will be the United Negro College Fund Campaign.

ENROLLMENT, GRADUATES AND FACULTY

The total enrollment in the colleges was approximately 40,000 during the 1969–70 school year. The students came from 49 states, the District of Columbia, three U.S. Possessions, and 56 foreign countries. Eighty-three percent (83%) of the students came from the Deep South and Border States. More than two percent of the total enrollment represents foreign students and more than one percent of all students are Non-Negro. Sixty-eight percent (68%) of all students enrolled require financial assistance. During the 1969–70 school year a total of 6,544 degrees (5,738 under-graduate and 806 graduate) was awarded by the member institutions, 2,539 full-time and 452 part-time faculty members were employed by the schools.

DISTRIBUTION

Distributions of campaign funds, as indicated above, are made on formula unanimously agreed upon by the presidents of the member colleges. The distribution formula makes the following provisions:

50 percent of the proceeds are divided equally among all member colleges;

40 percent of the proceeds are divided on the basis of percentages derived from the ratio of the five-year average income from gifts, grants and endowments of each member college to the five-year average income from the same sources of all member colleges; and

10 percent of the proceeds are divided on the basis of percentages derived from the ratio of the five-year average enrollment of each member college to the five-year average enrollment of all the member colleges.

Since 1944 the Fund has distributed more than $110 million to its member colleges, including $60 million in current funds under the above formula, and approximately $50 million from two capital fund drives.

1971 NATIONAL OFFICERS

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Morris B. Abram*, Chairman of the Board.

See footnote on following page.

Herman H. Long*, President.
Vernon E. Jordan, Jr., Executive Director.
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Peter Wensberg, Cambridge, Mass.
Mrs. C. Delmar Williams, New York, N.Y.

1971 CAMPAIGN OFFICERS

National Chairman—Cyrus R. Vance, Partner, Simpson Thacher & Bartlett.

National Chairman for Corporations—Ely R. Callaway, Jr., President, Burlington Industries, Inc.

National Chairman for Foundations—Buell G. Gallagher, President Emeritus, City College, New York.

1971 CAMPAIGN GOAL

The goal for 1971 is $10 million. Traditionally, a concentrated campaign effort has been applied between March 15 and July 15. Due to several factors, however, campaign activities will not open in several areas until later this year. All contributions received prior to December 31, 1971 will be credited to the 1971 Campaign.

The 1971 Campaign is spread over 39 states and the District of Columbia with major campaigns in the top 27 metropolitan areas of the nation. The actual fund raising will be done by volunteers in these larger areas and in the communities in which the colleges are located. There will also be some mail appeals in other communities. In addition, national committees are organized to approach foundations, corporations, alumni, and individuals. Local and regional committees are approaching corporations, foundations, organizations, and individuals at their respective levels.

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*Member of Board of Directors.

USE OF FUNDS

These funds enable the member colleges to:

1. Give financial assistance to students in the form of scholarships and/or student aid.
2. Make necessary additions to faculty and staff to meet increased enrollment and expanded curricular offerings.
3. Upgrade and provide competitive faculty salaries.
4. Secure additional teaching supplies and equipment, increased research facilities and library services.
5. Make reasonable expenditures for the maintenance and operation of the physical plant.

FUND RAISING COSTS

Fund raising costs have averaged 16.94% over a seven year period (1964–70) of the total current income for seven campaigns. This excludes income for special projects, legacies and bequests.

AUDIT

The accounts of the Fund are audited by the firm of Touche, Ross and Company, 80 Pine Street, New York, New York 10005.

UNITED NEGRO COLLEGE FUND MEMBER COLLEGES

Alabama

Oakwood College (Huntsville)
Stillman College (Tuscaloosa)
Talladega College (Talladega)
Tuskegee Institute (Tuskegee Institute)

Arkansas

Philander Smith College (Little Rock)

Florida

Bethune-Cookman College (Daytona Beach)
Florida Memorial College (Miami)

Georgia

Atlanta University (Atlanta)
Clark College (Atlanta)
Interdenominational Theological Center (Atlanta)
Morehouse College (Atlanta)
Morris Brown College (Atlanta)
Paine College (Augusta)
Spelman College (Atlanta)

Louisiana

Dillard University (New Orleans)
Xavier University (New Orleans)

Mississippi

Tougaloo College (Tougaloo)

North Carolina

Barber-Scotia College (Concord)
Bennett College (Greensboro)
Johnson C. Smith University (Charlotte)
Livingstone College (Salisbury)
Saint Augustine's College (Raleigh)
Shaw University (Raleigh)

Ohio

Wilberforce University (Wilberforce)

South Carolina

Benedict College (Columbia)
Claflin College (Orangeburg)
Voorhees College (Denmark)

Tennessee

Fisk University (Nashville)
Knoxville College (Knoxville)
Lane College (Jackson)
LeMoyne-Owen College (Memphis)

Texas

Bishop College (Dallas)
Huston-Tillotson College (Austin)
Wiley College (Marshall)

Virginia

Saint Paul's College (Lawrenceville)
Virginia Union University (Richmond)

CARNEGIE COMMISSION ON HIGHER EDUCATION,
Berkeley, Calif., May 24, 1971.

Hon. EDITH GREEN,
House Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR EDITH: I regret very much that my schedule made it impossible for me to testify on higher education legislation to your Committee. In lieu of that, I thought you might be interested in the attached comments on certain pending bills which were prepared in response to a request from Congressman Perkins. I will soon be sending copies of this analysis to other members of the House Committee on Education and Labor. The Committee certainly has a difficult task in deciding the best approach for higher education legislation in this crucial period.

If I can be of any assistance in this task, please let me know.

Best regards,

CLARK KERR.

Enclosure.

COMMENTS ON PENDING HIGHER EDUCATION LEGISLATION

REMOVING ECONOMIC BARRIERS TO EDUCATIONAL OPPORTUNITY

All major pending higher education bills are concerned with the necessity of removing economic barriers to higher education opportunity, and all attempt to achieve this through a combination of financial assistance programs including educational opportunity grants, loans, and work-study payments. The bills vary in techniques for identifying which students are eligible, the degree of reliance on loans as opposed to grants and work-study payments, allocation of funds among institutions and states, and total funds available.

Determination of need

The Carnegie Commission has recommended that a national formula for determining student financial need be developed based on such factors as total family income over the past several years, total family assets, number of children, and particularly number of college-age children, and other factors that would affect the economic status of the family. Not only would such a national formula assure fairness in selection of grant recipients without regard to the institution attended by the student or the state in which the student happened to reside, but if the formula were announced sufficiently in advance of its application, it would enable high school seniors to plan with some certainty at least the basic aid that might be available for their college education.

Section 401, Part A, Title IV of H.R. 5191 expresses the same goal and Section 402 seems well designed to implement that goal. The bill does not, however, indicate how far in advance of its effective application the need schedule would be adopted and announced. The value of a nationally applied formula to determine financial need eligibility for educational opportunity grants would be substantially diminished if it were not available early enough for effective planning by students and institutions.

S. 659 relies on the amount of income tax paid to determine the financial need and thus the eligibility for an educational opportunity grant. This technique is also designed to achieve fairness in determining eligibility and to assure certainty in planning. It has the added desirable feature of simplicity of application. It does have problems which are not present in the technique proposed in H.R. 5191. It is clearly superior to either a tax deduction or tax credit scheme for aiding low income families, but it would seem fairly easy for a family to alter a student's grant eligibility by deciding not to claim the student as a dependent. It would be difficult to monitor whether, in fact, the family helped the student with his expenses. Perhaps this problem could be alleviated by looking at whether the student qualifies as a dependent instead of whether he is actually claimed as a dependent.

An even greater drawback to the use of the tax paid technique for determining need is that income tax paid is not always a reliable measure of the economic well-being of a family unit. It may reflect the sophistication of the taxpayer in managing his income in the light of the tax law. Effective income management in terms of taxes is usually more possible for higher income persons or self-employed individuals than it is for the low-income wage earner. A person with tax sheltered income can often enjoy a comfortable standard of living but pay quite low taxes. Without substantial revisions in the tax law or adjustments in the use of the technique for purposes of S. 659, what appears to be a fair and objective standard for determining eligibility for grants could work to the disadvantage of the very people the grant program is intended to aid, the low-income wage earner. Attached as Appendix A are more detailed comments on this feature of S. 659.

H.R. 7248 lacks any provision designed to insure fairness and equal treatment of students without regard to the kind of institution attended or to the area of residence of the student. Section 467 of H.R. 7248 makes it clear that the intention of the bill is to leave the determination of eligibility up to the institution. While the move toward decentralization of decision-making seems laudable on its face, in this instance the lack of clear national standards for eligibility could hamper the student's ability to make decisions about his educational future and make him much more dependent on the situation and the policies of a particular institution. It is the Carnegie Commission's belief that each student with financial need should be able to count on a basic grant which would be available to him regardless of what institution he decided to attend.

H.R. 32 also appears to place reliance upon the institutional determination of student financial need and does not include a requirement for a national formula for student need.

On the technique proposed for determining financial need, H.R. 5191 is most specifically consistent with the earlier suggestions by the Commission; S. 659 is generally consistent in its intention.

Part-time students

In its report on federal aid for higher education, the Commission recommended that student aid programs be adapted to provide proportional aid to part-time students. The Commission believes that many low-income students can attend colleges only by working part-time. The part-time earnings, however, could be insufficient to meet the financial responsibilities of the student. The opportunity for part-time students to apply for proportionate grants depending upon demonstration of financial need would seem preferable to excluding them from eligibility for such grants. Of the several bills pending before Congress only H.R. 7248 expressly includes part-time students as eligible for student assistance if they can demonstrate financial need. But even H.R. 7248 leaves part-time students under some disadvantage. If part-time students are to participate in aid programs without any penalty for being part-time, it would seem necessary to extend the number of years during which the student could obtain federal financial assistance. Although H.R. 7248 extends eligibility to part-time students it limits participation for a period of 4 years or to a period of 5 years for courses of study requiring five years. To aid part-time students it might be desirable to leave the dollar maximum the same but extend the period over which an individual would be eligible for aid to 7 or 8 years.

Eligibility of students in vocational and occupational programs

Under existing legislation, students in certain occupational and vocational programs are not eligible for federal student assistance unless they are pursuing such courses in community colleges or four-year colleges. H.R. 32 and H.R. 7248 help to correct this disadvantage to occupational and vocational students by extending the definition of eligible institutions to include accredited proprietary institutions. H.R. 5191 does even more to correct it by including not only accredited proprietary institutions but by also explicity including vocational schools. This provision in H.R. 5191 most nearly meets the Carnegie Commission's recommendations issued in June of 1972 that, "existing legislation be revised to enable all postsecondary vocational and technical students to apply for grants on the basis of need regardless of whether such students are enrolled in community colleges, area vocational schools, or public adult schools."

The mix of grant, work-study payment and loans in the financial aid package

The Carnegie Commission believes that a student from a low-income family should receive enough money through grants and work-study payments to enable him to attend a low-cost college near home. If, however, such a student wishes to select a higher cost institution, or an institution at a greater distance from home, he should be able to obtain a long-term loan to cover these additional costs. The levels of the grant and work-study programs proposed by Carnegie thus provide the low-income student with initial access to higher education while the loan program is added to provide some measure of mobility and greater selectivity. With this in mind, the Commission has suggested that the maximum for the basic opportunity grant be $1,000 and the maximum for work-study payments be $1,000. Thus, under the Carnegie proposals, a student from a very low income family could meet his basic expenses for college attendance without being required to borrow. The maximum grant levels under H.R. 32 and S. 659 seem to be based on the same general philosophy. The same approach might also be possible under H.R. 7248 except that there is less assurance that the work-study payments would be available to students from low-income families inasmuch as Section 421 of that bill explicitly deletes the requirement that work-study payments be available particularly to students from low-income families.

Although H.R. 5191 does not include specific individual limits on opportunity grants and work-study payments, the proposed budget provisions and schedule submitted by the Administration at the time of introduction of the bill would place substantially greater emphasis on loans than that proposed by the Carnegie Commission. A student from a two-child family with an income of less than $3,500 a year attending an average cost public institution would be required to finance over one-third of his college expenses from subsidized loans and personal sources.

Levels of funding

Although the individual limits set in some of the other pending legislation would not appear to require as heavy a reliance on loans as that shown in the Administration schedules, the level of funding proposed for certain of these bills might make it necessary to give less than the individual maximum grant amount even to students from families with incomes of below $3,500 a year.

The Commission estimates that almost $2 billion would be required to provide the level of work-study payments and educational opportunity grants proposed in its program. The Administration has proposed $575 million for this purpose and in its schedules has clearly indicated a substantially lower individual level for work-study and educational opportunity grants than that proposed by the Commission. S. 659 does not include a proposed level of funding, but simply provides that such funds as are necessary to carry out the purposes of the act be appropriated.

Individual limits on work-study payments and educational opportunity grants in both H.R. 32 and H.R. 7248 are more comparable to those of the Commission, but the proposed level of funding ($625 million) suggests that in practice the actual individual levels might be much closer to those of the Administration or that substantially fewer students will be covered than the number estimated by the Carnegie Commission to be eligible.

If insufficient funds are available to fully cover all those eligible, then the method of allocating the reduced funds is of key importance. H.R. 5191 clearly states in Section 403(b) that if the funds allocated for the purposes of the act are not sufficient to cover all those eligible under the act, the Commissioner "shall reduce such allocations in a manner most likely to achieve an equitable geographical distribution of such allocations and to preserve, to the fullest possible extent, payments to students with the lowest expected family contributions."

H.R. 7248 and H.R. 32, on the other hand, continue the method of allocation of federal financial aid resources which have been utilized in the past by the Office of Education. Under these procedures, although the amount of the grant to the state depends upon a formula in which one of the three elements relates to the level of personal income in the state, all institutions tend to be treated alike without regard to the percent of low-income students attending the institution. In the past, this procedure has done little to insure that the major portion of student aid funds are channeled to institutions with large proportions of low-income students.

S. 659 approaches this problem in a slightly different fashion but appears to be based on the same philosophy as H.R. 5191. It recommends that developing institutions, which are defined in part as institutions with a large percentage of students from low-income families, should receive priority in the distribution of funds under the student assistance program.

The Commission hopes that sufficient funds will be allocated to meet the financial need of all students eligible under its proposals. But if this is not the case then we believe the available aid should be concentrated to meet the financial need of students from the lowest income families, providing such students are making satisfactory progress in their programs. H.R. 5191 and S. 659 show concern for this consideration.

The Commission also recognizes that increasing higher education costs are placing a heavy burden on middle-income families, particularly those with more than one child in college. With a carefully developed national formula of need it would be possible to provide limited aid for these families if adequate funds are available. It should be noted that the Administration Schedules, which are funded at a lower level than that proposed by the Commission but rely more heavily on loans, do provide both grant, work-study aid, and subsidized loans for five-child families, two of whom are in college, with annual incomes up to $15,000.

Full funding of the work-study program is particularly urged. The Commission believes that work-study is one of the most valuable forms of student aid. Through these programs significant numbers of low-income students are enabled to enter and stay in college while at the same time performing tasks important to academic institutions and agencies serving the community.

Student loan programs

In its review of existing federal programs for student loans, the Commission felt that improvements could be made along four major lines:

1. Availability of funds.—The secondary market and warehousing provisions included in H.R. 7248, H.R. 5191, and H.R. 32 appear to meet our desire for improvement in this area.

2. Modification of terms to permit effective increase in level of borrowing.—With increasing costs of education, the Commission felt that it was important to increase the level of borrowing permitted to students under the various loan programs. The *effective* level of borrowing can only be increased by simultaneously extending the period of repayment in order to keep the annual repayment within tolerable limits. The Commission recommended an increase to a total of $6,000 for undergraduate studies and $10,000 for graduate studies with a repayment period extending as long as necessary to permit complete repayment of accrued interest and principal, but with the amount of repayment geared to permit the average income earner to repay his loan in approximately 20 years. The provision of H.R. 5191 permitting a maximum of 20 years to repay the loan and maximum borrowing of $17,500 are very close to the Commission's proposals. But the increase in borrowing limits proposed in H.R. 32, S. 659, and H.R. 7248 without a change in the period of time over which repayment may be made would not increase the *effective* borrowing levels since borrowing to the limit would result in a high annual repayment over a 10 year period.

3. Recognition of differential ability to pay over working life.—The Commission also believes that the amount of repayment each year should bear some relation to the borrower's ability to pay in that year. For this reason the Commission recommended that the amount of repayment be a percentage of the individual's income and also recommended that there be deferral of payment during any period in which the income of the borrower falls below a certain minimum subsistence level which shall be periodically determined by the student loan bank. None of the pending bills explicitly address themselves to this concern, although H.R. 5191 does include a provision that permits the lender and borrower to mutually agree to deferrals of principal and interest during any period or periods not in excess of an aggregate of 5 years. The Commission feels that higher limits of borrowing for students will only be tolerable to the student under a loan program which permits variable repayments tied to level of income over the borrower's working life. The Commission recognizes that this type of flexible repayment schedule is both easier to administer and more acceptable in a situation where the loans are made by a national student loan bank rather than through private banking agencies and where collections are made through an agreement with the Department of the Treasury under which the Internal Revenue Service would undertake all collections. Both of these were recommended by the Commission in the *Revised Recommendations* to *Quality and Equality* issued in June of 1970.

4. Elimination of forgiveness provision for entering particular professions.—The Commission did not believe that there is any longer a continuing shortage of manpower in the teaching professions which would warrant the cancellation provision for service in teaching provided by the present legislation and continued under the terms of S. 659 and H.R. 32.

National Foundation for Higher Education

The Commission is pleased to see that H.R. 5192, S. 659 and S. 1062 all provide for establishment of a National Foundation for Higher Education. As you know, the Commission has repeatedly endorsed the establishment of such a Foundation. Rather than commenting specifically on the provisions of the pending legislation, I am attaching my article to be printed in the next issue of *Change* magazine which sets forth possible functions and organization of the Foundation. The thoughts expressed in the article are based largely upon discussion of the Foundation within the Commission. The pending legislation seems to be generally compatible with the approach described in the attached article.

Developing institutions

All the major pending higher education bills extend the Developing Institutions Program, Title III of the Higher Education Act of 1965. The Commission also believes that this program should be extended but has suggested that, because of the nature of the program, it might be appropriate for inclusion under the National Foundation for Higher Education with the funding proposed for it transferred to the National Foundation.

The additional criterion for determining what is a "developing institution" within the meaning of the Act added in S. 659 (that the institution includes a large number of disadvantaged students) seems quite appropriate.

It is possible to argue that the existing legislation and the proposed legislation on this program do not include adequate attention to evaluation of the grants made under the program. This is one of the reasons the Commission felt it might be appropriate to transfer the program to the Foundation.

Direct aid to institutions

Existing legislation provides direct aid to institutions for several specific purposes:

Community service and continuing education;
College library assistance;
Strengthening developing institutions;
Improvement of undergraduate instruction;
Law school clinical experience programs.

In addition to these programs, funds are provided for various research projects through arrangements with numerous federal agencies, for various professional development training programs, and under the Higher Education Facilities Act of 1963, for aid to construction. The construction aid program and other programs dealing with Networks for Knowledge and graduate education have received only token funding in recent years, but the legislation making this type of aid possible nonetheless exists. All of this direct aid is categorical and not available to the institution for general operating support.

Evidence from diverse sources now points to a clear finding of the growing financial difficulty in higher education, a difficulty that is unlikely to be met fully in the immediate future from increases in state and local support. The pending bills continue the various categorical forms of direct aid to institutions. Beyond that, H.R. 7248, H.R. 32, H.R. 5193, and S. 659 all provide additional special programs of direct aid to institutions. Both H.R. 7248 and H.R. 5193 provide this aid through an across-the-board general formula. The Commission, in recommending a supplemental program of direct aid to institutions, particular for the short-run period, did not propose an across-the-board general formula but instead proposed direct grants to institutions tied to federal grants to students. While the Commission did not explain in detail its reasons for preferring the cost-of-education supplement approach for the short-run period, my own view is that across-the-board general formulas tied to degrees awarded or enrollment need to be reviewed in the light of these likely consequences:

> Dissipate a relatively small total allocation over the entire range of institutions without regard to which programs and which institutions are suffering the greatest deficit or without regard to which institutions are performing the most needed national services;
>
> Treat all states alike even though there is a great range in the level of support given to higher education by different states, even when adjustments are made for differences in state levels of per capita income (see Commission report, *Capitol and Campus*);
>
> Lock into the support pattern a formula which would be difficult to change except for revising it uniformly upwards;

Firmly establish cost relationships for different programs for different institutions at a time when knowledge about such cost differentials is still inadequate and when possible academic improvements suggests that a change in the existing relationship would be desirable;

Private colleges, many of which seem to be suffering relatively greater financial difficulties than those experienced by public institutions, would not be any better off relative to public institutions after the aid than they were before since the federal government would have to treat both public and private institutions alike;

Inflationary uses which would simply lead to higher costs and little improvement in deficit situations.

An emergency program of direct aid to institutions could readily be designed based on the Commission's cost-of-education approach, full funding of the construction program, adequate aid to graduate students, full funding of aid programs that would benefit black colleges and other "developing" colleges, and substantial national support for the cost of education for the health services. The provisions in H.R. 32 and S. 659 are quite similar to the Commission's proposal for cost-of-education supplements, and either of them could serve as a basis for such a program. If the "cost of instruction allowance" provision of S. 659 is used, the last phrase of the new Section 409 ("less any tuition charged to the student for whom the allowance is paid") should be deleted. The effect of this phrase would be to make the cost of instruction allowance unobtainable by any private institution since almost all such institutions have tuition in excess of $1,200. With the deletion of this phrase, it would undoubtedly be desirable to reduce the amount of the allowance per student. The Commission has recommended $500 for undergraduates with the amount rising each year up to $1,000 in 1979–80. The amount per student should be set at a level which would make about $500-$600 million available immediately and $1 billion available by the next year.

The financial distress of institutions will also be greatly aided by more adequate provisions for student financial aid discussed above. Studies of financial stress in higher education have made it clear that student aid accounts, particularly at private institutions, have contributed very heavily to institutional deficits. The recently completed study of independent universities and colleges in Pennsylvania found that revenue for instruction and departmental research exceeded expenditures although the amount of the excess declined substantially in recent years. It was the student aid account that evidenced the most severe financial pressure and the deficit in that account greatly exceeded the positive result in the instruction and departmental research account. Thus, increased student aid funds could have a very beneficial effect on many institutions by freeing institutional student aid funds for other purposes.

While it might be appropriate to extend other provisions of the Higher Education Act for 5 years, it would seem reasonable to provide for this additional program of direct aid to higher education for a shorter period thus permitting reassessment of the situation and possible adoption of a longer range program. In the long range program it would be possible to consider which costs of higher education should be federalized on a more permanent basis. Unless real distinctions are continued between the responsibility of the state and the responsibility of the federal government for higher education, there is a danger that direct aid to institutions for operating support on a discretionary basis might simply replace aid now given to institutions from other sources. It is doubtful that any maintenance of effort provision could adequately protect against such substitution of funding without this basic distinction in responsibility. If there is no distinction between the state and federal government in the nature of their responsibility for higher education, it is quite possible that each could hold back on its funding waiting to see what the other does and that the result might well be a reduction in total revenue to colleges and universities from public sources.

Major research universities are suffering particularly from the cutback in research grants. If research grants and contracts with universities were fully funded, some of this financial distress could be alleviated. Many research corporations assume that the cost of overhead on research contracts is at least 100 percent. The amount of overhead given in university research grants has traditionally been substantially less than this. As a result the research contracts have drained other institutional resources. Certainly in future research agreements this unfair treatment of educational institutions who undertake research for the government should be eliminated.

STATEMENT OF MRS. SHERMAN ROSS, CHAIRMAN, LEGISLATIVE PROGRAM COMMITTEE, AND DR. DEBORAH WOLFE, AREA REPRESENTATIVE FOR EDUCATION, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

I am Mrs. Sherman Ross, Chairman of the Legislative Program Committee of the American Association of University Women. We in AAUW, an organization of about 170,000 college graduates organized into 1685 branches in the fifty states, Guam, and the District of Columbia, wish to express continuing and staunch support for the concept of very substantial support for federal assistance to education at all levels.

Although the American Association of University Women is not an educational institution in the accepted sense, its principal motivation for the past 86 years has been support, by one means or another, for expanding educational opportunities.

The members of the AAUW like the majority of other Americans have accepted the concept that the more individuals pursuing education beyond high school, the greater the benefits accruing to society as a whole. Therefore, year after year, to this and other Congressional Committees we have recommended assumption by the federal government of a constantly expanding role in financing higher education.

Although we are increasingly aware that this concept is under question, that a considerable amount of current thinking and a number of well-received recommendations, including those of the Administration, advocate shifting the financial responsibility for education to those who receive it on the premise that it is the individual who profits, we have not yet come to the point where we are prepared to accept this new philosophy.

The American Association of University Women has been concerned for some time about how the increasing demands upon higher education institutions are to be met. Rapidly mounting enrollments, rising costs, and increasing demands from the governments of the community for services—services which range from federal research contracts to local basic educational programs—have placed strains upon the plant, the staff and the budget which cannot be met by either public or privately supported institutions without federal aid.

Therefore, we have come to the conclusion that some form of aid to the institution must be adopted by the Congress. We see merit in several approaches to this problem. One is a formula based on enrollment or on the number of degrees granted, as in the Quie bill, in twin E.O.G. grants—one to the student and another, a cost-of-education grant, to the institution. To us, cost-of-education payments to insitutions for education of federally aided students, or perhaps for all enrolled students, seems a more appropriate way of attacking the financial problems of higher education institutions than a program of general institutional support.

It continues to be a principle of the Association that in the best interests of this country, every student coming out of high school who wishes it *should have the opportunity for some form of further training.*

Even before the introduction of the National Defense Education Act the Association, and its branches in roughly 1600 communities in the fifty states, actively supported federal legislation designed to improve and strengthen higher education. We have been particularly interested in work-study, grant and loan programs which provide financial assistance to students. At the same time, we have recognized that authorization of these programs has increased the problems of the institutions which these students attend. Therefore, the AAUW has supported the college housing provisions of the Housing Act and the Higher Education Facilities Act, among others. We have welcomed and supported such innovative programs as those drafted to provide special services for those whose earlier education has not prepared them for work at the college level; the cooperative education programs which provide alternate periods of full-time study and full-time employment; the Networks for Knowledge programs which develop and assist cooperative arrangements between institutions; federal assistance to developing institutions; the aid provided for improvement in graduate programs; and programs written to provide education geared to public service.

We have encouraged expansion of federal library programs. We have acknowledged through our support of the community service title of the Higher Education Act of 1965 the dependence of both urban and rural areas, upon colleges and universities for help in meeting the nation's mounting social problems. We also have recognized and supported other programs enacted recently to alleviate poverty and the ignorance, disease and apathy that so frequently accompany it.

We know that this committee is fully aware of the danger of weakening our institutions of higher learning by diversion of their non-federal resources for the purpose of meeting the institution's share of cost-sharing federal programs. We too recognize that many federally supported, social desirable programs, frequently referred to as being "part of the University's responsibility to the community," are enacted on a cost-sharing or matching-funds basis. We recommend that this Committee take a hard look at the financial drain created by these programs, and that greater assumption of fiscal responsibility by the federal government be provided for these social programs.

Among our principle concerns about federal aid is the lack of continuity in these federal programs. While colleges and universities constantly are encouraged to utilize available federal assistance, there are definite hazards in doing so which must be eliminated. In instance after instance what has seemed to be an on-going commitment by the Office of Education and the Congress proves to be no such thing. Programs are usually enacted with much fanfare and national publicity. This publicity does not attend the inadequate or token funding which has been a recent pattern. In illustration we cite the International Education Act which had minimal funding—and which we are happy to find would be extended under Title VI of Mrs. Green's bill.

In our judgment the dangers of federal control of higher education, if it is ever exercised, will be by indirection, as the character of an institution is altered by diversion of institutional resources from activities which haven't federal support to those that do—as we suggested in an earlier paragraph—or if, in what seems on the face to be an avenue for improving the quality of education, we place national education under political or other control. In fact, we think it is conceivable that the National Foundation for Higher Education and the National Institute for Education, proposed in the Administration's bills H.R. 5192 and H.R. 5193, could develop very regretable political implications unless the authorizing legislation and guidelines are carefully drawn.

In earlier statements to this Committee the Association has recommended the creation of a completely non-political Advisory Council on Education to the President which would have the status and function similarly to the present Council of Economic Advisors. However, we continue to urge, as we have for years, a Department of Education of cabinet status. In view of the present executive repartment reorganizational proposals we believe it important to restate this Association position at this time. If achievement of either of these recommendations is unrealistic in this session of Congress, we endorse, with safeguards against partisan politics, both the National Institute for Education and the National Foundation for Higher Education as a step toward elevation of education to its proper role as a major business with a top priority in this country.

It is quite obvious to us that very substantial changes are in the wind in higher education and that the debate over changes in institutional programs, over federal programs and funding will be going on for some time. With the authorization for existing programs running out within approximately eight weeks we are delighted to see before this and the Senate Education Subcommittee recommendations for extension of the authorization for these existing programs. We urge immediate enactment of extensions and wish to speak to some of the revisions which we note are included in the bills before this subcommittee.

We in AAUW have questioned whether every student who graduates from high school should be encouraged to undertake the traditional four-year academic degree. Therefore, we have wholeheartedly supported federal programs which offer technical and vocational training, the development of community and junior colleges and other forms of post-secondary training for more effective mobilization of the country's intellectual resources.

We wish to urge that there be no diminution in community service and continuing education programs. We support the continuation of aid to developing institutions and recommend that the 23 percent which has been set aside for community colleges be continued. We are concerned about the student who works up to a full day and thus takes longer to obtain his or her degree. Therefore, we believe that assistance should be available for at least five and possibly six years to such part-time students. We understand the rationale of taxing a student on his earnings and then offering him a loan or grant equal to, or less, than the sum he has paid in taxes, but we wish a more direct approach could be devised. Nevertheless the Association opposes perennial proposals for tax credits or tax deductions for tuition paid (which will be one of the alternatives again suggested), as unfair to lower income families. We urge the Committee to write considerable flexibility into the authority to transfer E.O.G. money to work-study. We have noted and support the mortgage guarantee provisions in Mrs. Green's bill and urge inclusion of discretionary power or greater authority for institutional loan officers. We applaud the provisions of Title IX setting up a new program for political leadership. In our work in the many communities where we have branches we have found the average citizen generally wishes to better undersand political action. Therefore, it seems to us that this provision for student political internships can be a great contribution to better government at all levels in the future.

If Title XI is to be retained in the bill that the Subcommittee reports out we should like to suggest that its base be broadened to cover more than mineral conservation education. We are aware of the 1970 Environment Education Act but broadening Title IX to cover such areas as land use conservation could effectively supplement last year's Act.

As women we welcome Title X which would remove from the Civil Rights Act the present exemption from coverage of women working in education. We also urge immediate action in removing the exemption of executive, administrative and professional employees from the equal pay for equal work provision of the Fair Labor Standards Act.

We again wish to draw your attention to an Association project in which we are deeply interested. In other years we have testified on, and succeeded in stimulating considerable interest both in Congress and out in support of a provision written into the Higher Education Act, or any other student aid program which would set aside specific sums to be loaned or granted to women (or men) wishing to continue, or update their educations for the purpose of entering or re-entering the labor force. It is our contention that a large and presently untapped reservoir of skilled woman-power would become available if such a program were enacted. We speak from experience, for the AAUW Educational Foundation recently conducted a very successful program of grants to such women who undertook either re-training or advanced training in their respective fields for the purpose of going into college teaching. We also speak from the experience of our 84-year-old program of fellowships to American women and to women of other nations for graduate work.

So far as we know there are no restrictions written into any loan or grant program which would keep these programs from being available to women (or men) wishing either to update their skills, or to finish an education as they try to enter or re-enter the labor force. Nor do we mean to imply that there is conscious discrimination on the part of university financial officers. But who can blame the loan or scholarship officer whose funds are limited, who chooses the student with a current and excellent scholastic or recent work record over the woman who has been out of school and not working for a period of years. We cannot speak too highly of the potential contribution to this country which could be the result of a relatively small sum of federal money spent to enable women of post-college age, who have been housewives and mothers, or who have been out of the labor force, to undertake further education.

We are aware of the interest of several members of this Committee in continuing education and we are in sympathy with proposals which would provide federal assistance to part-time students. Therefore, we urge this Committee to write a provision into the bill which it drafts which will cover both the women of whom we speak and others who wish to undertake part-time study.

We should like to express our worry to this Committee about the financial burden of any substantial educational borrowing—particularly to two kinds of families: one, the middle to low income family with more than one child in the family; the other, newly married students, both of whom have borrowed all or most of the cost of their college educations. What position can the federal government take as these borrowers find themselves forced to deny themselves and their families, in some instances, basic necessities or default on their education loans? What will be the ultimate moral and economic effect in this country if these loans are made and not repaid?

As we said earlier we are certain there will be a protracted debate over the very substantial changes in thinking, in philosophy, in programming and financing which appear to be inevitable in higher education. So in conclusion we again express our support for this Committee if it, in the face of the country's very pressing and immediate needs, proposes renewed authorization of existing programs—funded at realistic levels for another three years.

Finally, in keeping with our strong support for forward funding, it is our opinion that provisions should be written into any new legislation which would give institutions of higher learning "lead time" in which to adjust to shifting federal policies.

We in the Association wish to give voice to our awareness of the dedication and of the effort that members of this Committee spend in promoting the welfare of this country's citizens. We also wish to express our appreciation for the privilege of again appearing before you.

We are appending to this Association statement a report prepared by Dr. Ruth Oltman, Staff Associate in Education of the AAUW, on the position of women in higher education, which was inserted in the Congressional Record of February 11, 1971 by the Honorable Patsy T. Mink.

CAMPUS 1970: WHERE DO WOMEN STAND?

(Hon. Patsy T. Mink of Hawaii, Feb. 10, 1971)

Mrs. MINK. Mr. Speaker, discrimination against women in higher education is one of the most damaging forms of prejudice in our Nation, for it deprives a higher proportion of our people of the opportunity for equal employment and equal participation in national leadership.

It is unfortunate but true that this form of prejudice is widespread among educators, the very group that should be leading the way for full equality of opportunity. One of the finest studies I have seen on this important subject is "Campus 1970: Where Do Women Stand?" a research report of a survey on women in academe by Dr. Ruth M. Oltman, Ph. D. Dr. Oltman is staff associate, higher education, of the American Association of University Women. Her report was published in December 1970.

In this project, Dr. Oltman compiled massive evidence from a survey of 750 colleges and universities showing that women do not have equal status with men in academe. At every level—student body, administration, faculty, and trustees—women are under-represented or placed in positions with little power in decisionmaking. This is particularly true in the large public institutions.

The study illustrates in a rather dramatic fashion the sex inequities on American campuses and suggests many areas in which the AAUW and its corporate member institutions might be involved in increasing utilization of women at all levels of academe. For the benefit of my colleagues, I have extracted sections of the report including the introduction, results of study, and summary and recommendations. I believe these should provide meaningful information an actions we should take now to redress this discriminatory situation.

(The material follows:)

CHAPTER I.—INTRODUCTION

A. PURPOSE

In January 1970 a questionnaire was sent to presidents of the 750 colleges and universities which hold corporate (institutional) membership in the American Association of University Women. Its purpose was to evaluate the activities of women and the extent of their participation at all levels of involvement—as students, administrators, faculty, and trustees. An extensive questionnaire explored the participation of women in decisionmaking; personnel policies affecting hiring, promotion, maternity leave, nepotism; special programs designed for mature women students; utilization of women's abilities in major offices and committees, as department heads, principal administrators, and trustees; and general attitudes of administration regarding women.

B. BACKGROUND AND RELATED STUDIES

The study grew out of a recognition by the AAUW Committee on Standards in Higher Education that the potential of women is not being appreciated, encouraged, or fully developed at any level of higher education:—student body, administration, faculty, or Board of Trustees. It was recognized that very little data is available to document the role of women in higher education and that if any improvement in this role is to be achieved much more information must be obtained. It was hoped that objective documentation of some of the inequities would contribute to greater awareness of the limitations in opportunities for women in higher education. The need for objective information is evidenced by the extensive data-collecting presently being undertaken by women's caucuses of many professional groups and the amount of research being done by professional women, by faculty and women students and by state commissions on the status of women.

A major recommendation of the President's Task Force on Women's Rights and Responsibilities, was that "All agencies of the Federal Government that collect economic or social data about persons should collect, tabulate, and publish results by sex as well as race." (13) The need for this is evidenced by the fact that few government and educational publications include data analysis by sex in educational statistics. The most complete statistics on women's role are published by the Women's Bureau, U.S. Department of Labor. These document the trends in the educational achievement (17) and employment status (16) of women, and projected trends for the future.

The National Science Foundation's Report on the 1968 Register of Scientific and Technical Personnel (12) gives data on the fields of employment and highest degrees earned by women scientists, who comprise nine percent of all scientists. The National Research Council (11) has published an analysis of doctoral recipients by sex in 26 academic disciplines. The Office of Education, in its annual Higher Education General Information Survey (HEGIS) study of institutions of higher education, has not provided analyses by sex, except for student enrollment (and for faculty rank in 1966). The National Education Association (NEA) completed a study on faculty ranks for 1959–66 and salaries for 1965–66 (10) which showed extensive differentials and evidence of the deterioration in the role of women as faculty members. NEA has not replicated this kind of research since, due to the difficulty in obtaining accurate data from the schools. The American Association of University Professors (AAUP) also has not published a comparative analysis of ranks and salarie for men and women faculty. Statistics in higher education, therefore, do not give a clear picture of the status of women as students, faculty or administrators. Equally important is the relative lack of up-to-date information about administrative practices which affect women in higher education, such as policies on maternity leave, nepotism, tenure, part-time appointments, and day care. Two studies of policies on nepotism have been done in the past ten years (3) (14). Information on women in nonprofessional jobs in higher education such as secretaries, house directors, and service personnel is also non-existent.

Further, there has been little analysis of the role of the woman student, although during the past year a number of student groups such as the Intercollegiate Association of Women Students (IAWS) and women's liberation groups on various campuses are forming their own commissions on the status of women students and examining their subordinate roles critically (7).

Psychological expectations of women also contribute much to the total picture. For example, the dilemma of women's conflict over achievement as nonfeminine is well documented in Dr. Matina Horner's clinical study in *Psychology Today* (6). The cultural image and stereotypes of the female sex-role perpetuated by society undoubtedly form major impediments in early socialization of girls and in their ability to make full use of individual potential. They not only affect women's perceptions of themselves but also limit their perceptions of each other's resources and abilities, as Philip Goldberg's research has clearly demonstrated (4).

Little is known about the effect of pressures at the college level which limit the full intellectual development of women students or reinforce the results of previous negative socialization. Equally important is the quality of counseling provided at the college level which prepares women for their vocational, social and personal roles in society. Dr. Helen Astin's report (2) documents some of the factors which influenced the careers of women who earned Ph. D's in 1957. Early encouragement and definition of role were especially important. The career commitment of women doctorates is evidenced by the fact that 91 percent are working in their field of preparation, 81 percent full-time.

The present study was undertaken, therefore, to contribute additional data by surveying the role of women in institutions having corporate relationship to AAUW and an interest in and concern for women's education. It was anticipated also that the results would delineate areas for further study and action. The role of women in higher education and the extent of their participation was investigated by an assessing of some dimensions of the picture. It is not complete nor are the issues of casualty probed. Results furnish a statement of what exists. Higher education reflects the society of which it is a part, including the values, attitudes and roles assigned to women, and the socialization process which prepares women to accept these roles.

C. QUESTIONS TO BE ANSWERED

The concerns regarding the role of women in higher education were reflected in the following questions raised in preparing the questionnaire:

1. Women students:

a. What are their leadership roles on campus?

b. To what extent do they participate in development of student policy? On student-staff committees?

c. What campus programs are provided to meet their special needs in determining their roles as women?

d. What role does the Association of Women Students (AWS) play and how is it supported?

e. How many women go on for graduate study and receive financial aid, as compared with men?

f. What are the policies regarding pregnancy and birth control counseling?

g. What are the policies and programs for the mature woman student?

2. Women administrators:

a. What kinds of administrative positions are women most likely to hold?

b. Are women sought for all types of administrative positions?

c. To what extent are women administrators included in policy-making decisions?

3. Women faculty:

a. What department chairmanships are women most likely to hold?

b. How do they participate on committees determining institutional or faculty policies?

c. What institutional policies concern maternity leave?

d. How do nepotism policies affect the hiring, promotions, tenure of women?

4. Women trustees:

a. How does the number of women trustees compare to the total number of men trustees?

CHAPTER IV.—RESULTS OF THE STUDY

A. METHOD OF REPORTING

Results are reported by types of schools to avoid distortion of data by differences among the categories such as private, public, and coeducational schools, women's colleges, and schools with enrollment over 10,000 or under 1,000. Women's colleges were extracted from the sample of private schools and small colleges so that appropriate comparisons could be made with public schools and institutions with over 10,000 enrollment. In order to make valid comparisons among groups of different sizes, all data were changed to percentages.

The four-page questionnaire required extensive compilation of data on the role of women on the college campus. In many instances this information was not obtainable from one office or was not collected by the school. As a result, no response was given for some questions. Although instructions asked the respondent to distinguish between information that was "unavailable" (UA) or "did not apply" (DNA), the answers were only left blank. For this reason, percentages given for the data were computed on the number of actual responses to the question.

Information was not tabulated on seniors going on to graduate school, number of graduate fellowships and value, as this data was not given in consistent form, was not available, or the item was left blank.

B. ROLE OF THE WOMAN STUDENT

Women students comprised approximately 41 percent of the total student population in four-year institutions of higher education in the United States in the fall of 1969 (15). Almost 2,400,000 women were enrolled in degree-credit programs during the 1969–70 school year, more than double the number enrolled ten years earlier. What has been the quality of their education? How are they being prepared for leadership? What campus programs are provided to meet their special needs? The questionnaire explored four areas in an effort to shed some light on the role of the woman student on the campuses surveyed.

1. Positions of leadership on campus:

Analysis of campus offices (see Table 6) most likely to be held by women on campus show that women students are most frequently found in positions which are primarily non-elective or appointive, such as editor of the yearbook or literary magazine, or chairman of the activities committee or freshman orientation—all positions requiring special skills, such as writing, and detail work. Greater opportunities for leadership are open to women on small campuses (under 1,000) or at private institutions (and women's colleges not included in this tabulation) than at very large, public or coeducational institutions.

Men are most likely to hold the elective, political offices such as president of the student body, class president, chairman of the Campus Judicial Board or Union Board of Governors—all positions with much power and influence. Again, these trends are accentuated on the large campuses and at public or coeducational schools. There is a tendency toward co-chairmanships (men and women) for positions such as chairman of freshman orientation or activities committee, some editorships, or judicial boards.

2. Programs for women:

The study committee was particularly interested in knowing the kinds of events or special media which are planned on campus to meet the educational needs of the woman student in developing her potential, in determining her role, and in planning her future. Three areas were explored in the questionnaire:

a. *General.* Only 72 percent of the total study group responded to the question, "During the past year we have had —— programs (lectures, seminars, workshops, movies, etc.) related to the role or special educational needs of women." Forty-six percent of those responding, however, indicated they had ***no*** such programs, another 21 percent only one or two. Differences among the subgroups were marked—e.g. 72 percent of the coeducational schools had had none or no more than two such programs during the year, as compared to 42 percent of the women's colleges. Institutions over 10,000 and public schools, with more diverse resources and population, provided more programs than small colleges and private schools (see Table 7).

As so many institutions failed to respond to this item, it is possible that the actual percentage of schools having no programs is much higher than 46 percent. However, there are three schools (all small colleges under 1,000) with an accredited course on women. Nearly 10 percent (and over 15 percent of the women's colleges) state that they have had more than 10 identifiable programs, a "series" or "many" such programs, furnishing some hopeful evidence that the needs are being recognized.

b. *Association of Women Students (AWS).* Over 58 percent of the schools report that they have an Association of Women Students or a similar women's organization on campus. The percentage is lower on all women's campuses where the overall student government serves this purpose, and higher on larger public campuses, where there is diversity of governmental functions (see Table 7). Approximately 60 percent of the AWS groups have independent budgets.

c. *Representation on student-staff committees.* Four hundred twelve of the 454 schools answered the question on representation of women students on student-staff committees, 43 percent indicating that women are represented "in smaller numbers, proportionately, than men." This percentage increases to 48 percent at coeducational schools, 50 percent at public schools, and 67 percent at schools over 10,000 (see Table 7). Schools under 1,000 show the largest participation of women.

TABLE 6.—STUDENTS IN CAMPUS LEADERSHIP POSITIONS (1967-70)[1]

Position	Coed schools (376)			Public schools (189)			Private schools[2] (207)			Schools over 10,000 (63)			Schools over 1,000[2] (53)		
	Men 3 years (percent)	Women 2 to 3 years (percent)	Total responses	Men 3 years (percent)	Women 2 to 3 years (percent)	Total responses	Men 3 years (percent)	Women 2 to 3 years (percent)	Total responses	Men 3 years (percent)	Women 2 to 3 years (percent)	Total responses	Men 3 years (percent)	Women 2 to 3 years (percent)	Total responses
President, student body	84	5	37	86	4	188	77	12	204	92	2	63	67	18	51
Class president	76	6	294	75	8	138	69	13	179	80	5	41	60	22	45
Chairman, union board of governors	65	12	209	64	13	125	63	15	92	62	11	47	69	16	19
Captain, debate	65	8	170	60	13	96	68	10	85	79	3	38	77	8	13
Chairman, campus judicial board	68	12	252	77	13	124	55	17	147	74	6	46	55	18	33
Editor, yearbook	17	49	362	19	46	183	15	54	201	25	48	1	12	52	50
Chairman, activities committee	47	27	259	47	30	128	43	31	150	42	22	36	33	38	42
Chairman, freshman orientation	40	24	259	44	26	124	35	29	156	44	28	43	40	32	35
Editor, literary magazine	39	30	263	43	23	127	33	41	153	49	16	49	17	63	32
Editor, campus paper	39	25	373	40	24	186	36	31	209	53	18	62	23	46	50

[1] To provide a clear picture of women's participation, instances are tabulated in which women held these offices at least ⅔ of the time during 1967–70. Instances of incumbency for 1 year only are not shown.

[2] Exclusive of women's colleges.

TABLE 7.—PROGRAMS FOR WOMEN STUDENTS

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools[1] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
(a) Number of programs on women's interests in 1969-70		328		276		38		44		46		136		160
None	46		51		18		39		63		46		51	
1 to 2	21		21		24		16		24		18		22	
3 to 6	15		12		32		11		4		16		10	
7 to 10	4		4		5		9		0		6		2	
11 to 20	3		2		5		4		0		3		3	
Over 20	2		2		5		5		2		1		3	
Series	2		2		0		2		0		1		3	
Accredited course	1		0		3		0		4		0		1	
Many	3		2		5		7		2		3		3	
Some	4		4		3		7		0		6		3	
(b) AWS: Have an association of women students on campus		428		369		42		61		53		183		207
Yes	58		61		38		67		55		65		57	
No	42		39		62		33		45		35		43	
(c) Representation on student staff committees		412		369	(2)	(2)		63		52		184		205
As proportionately as men	44		45				33		52		44		46	
Proportionately less than men	43		48				67		29		50		43	
Proportionately more than men	13		7				0		19		6		11	

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[1] Exclusive of women's colleges.

[2] DNA.

3. Policies on pregnancy, resident, and birth control counseling:

Policies in this area vary greatly (see Table 8). Most schools (98 percent) indicated that they do "permit pregnant women students to attend classes" and do "make necessary adjustments for them to complete their courses." Eighty-eight percent indicate that "married women, not living with their husbands, may live in the residence halls," but only 62 percent state that pregnant women may do so. Birth control information or counseling is provided by the Health Service in 43 percent of the schools surveyed; the others "make referrals to physicians outside the institution." It may be that many schools avoid the situation and do not attempt to handle the problem in either way.

Data indicate that large public institutions, with medical resources and a heterogeneous population of students are likely to be liberal in policy and to provide special services to the married or pregnant woman student. Small and private schools are almost as liberal in policy but do not generally furnish counseling in their health services, perhaps because of limitation of facilities and staff. The sample of women's colleges appears to be the most conservative on all aspects of policy and birth control counseling, although it had been anticipated that they would lead the way in services of this kind to their students because of their special role in women's education.

4. Mature women students:

Only a small proportion of the schools surveyed were able to give statistics on the approximate number of mature women students enrolled. Ninety-five percent, however, indicated (see Table 9) that opportunities for completing a degree are available, 86 percent that some kind of counseling is provided, although the nature of this was not defined in the answers. In addition, 70 percent stated that scholarship aid is given when needed. Only 49 percent, however, make some adjustments in class hours or curricula to meet the needs of such students and less than half (43 percent) have a program (such as continuing education) especially designed for the returning mature woman student. Of the 454 schools, only 22 or five percent provide some kind of day care services for students with small children.

It should be noted that women's colleges are the most likely to provide counseling and day care services and to make adjustments for mature women. Large schools with over 10,000 enrollment have more facilities for special programs but do not provide extensive individual services. On the other hand, small schools with less than 1,000 students do not have diversified special facilities but appear to make up for this in more individualized treatment—counseling, needed adjustments, and scholarships. Private schools show a similar trend.

C. WOMEN ADMINISTRATORS

In answering the question "It is our policy to include women in a. top-level administrative positions" and b. "policy-making decisions," 87 to 92 percent of the total sample indicated affirmative responses. The most positive responses came from the sample of women's colleges, the large universities with enrollments over 10,000 stating more reservations.

TABLE 8.—POLICIES ON PREGNANCY, RESIDENCE, AND BIRTH CONTROL COUNSELING

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools[1] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
Permit pregnant women students to attend classes, will make academic adjustments needed		440		365		56		62		53		184		204
Yes	98		99		93		100		100		98		98	
No	2		1		7		0		2		2		2	
Permit pregnant women students to live in residence halls		394		324		43		54		48		161		184
Yes	62		64		47		78		58		75		55	
No	38		36		53		22		42		25		45	
Married women may live in residence halls		428		352		58		58		53		176		198
Yes	88		91		74		97		87		95		87	
No	12		9		26		3		13		5		13	
Birth control information available in Health Service		415		346		53		62		49		178		189
Yes	43		47		30		68		24		52		38	
No	57		53		70		32		76		48		62	
Birth control information not provided, but referrals made to outside doctors		299		242		41		28		42		113		147
Yes	59		62		44		54		52		61		60	
No	41		38		56		46		48		39		40	

[1] Exclusive of women's colleges.

TABLE 9.—PROGRAMS FOR MATURE WOMEN STUDENTS

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools[1] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
Provide opportunities for mature women to complete degrees		448		370		59		61		53		188		206
Yes	95		95		98		95		98		96		95	
No	5		5		2		5		2		4		5	
Provide counseling for mature		441		364		58		59		52		186		201
Yes	86		84		95		85		90		86		84	
No	14		16		5		15		10		14		16	
Provide scholarship help for mature women		434		359		56		60		53		182		200
Yes	70		72		62		60		78		72		71	
No	30		28		38		40		22		28		29	
Make adjustments in curriculum for mature women		432		360		53		59		53		183		201
Yes	49		46		6		49		53		50		45	
No	51		54		40		51		47		50		55	
Have special program for mature women		440		364		57		61		53		185		203
Yes	44		43		53		64		32		52		34	
No	56		57		47		36		68		48		66	
Provide day care services		444		366		59		61		53		185		204
Yes	5		4		9		5		2		5		3	
No	95		96		91		95		98		95		97	

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[1] Exclusive of women's colleges.

In spite of such affirmative policy, however, this actual participation of women in administrative policy-making in higher education is conspicuously lacking, as Table 10A demonstrates. The position of women in administration is similar to that of women students—they are working at jobs requiring skills and attention to detail but without much relationship to policy-making or influence. Generally they are in positions at middle management level or which involve sex stereotypes, such as Dean of Nursing.

The study points up the comparatively greater opportunities for women in the administration of women's colleges and in schools with under 1,000 enrollment, especially in certain categories. In addition to the position of Dean of Women, women are most likely to hold positions such as head librarian, director of placement, director of financial aid or college counselor. They are least likely to be found in the positions of president, vice president, director of development, business manager, academic dean, dean of students, director of counseling, and college physician.

It should be noted that women are less likely to be head librarians in schools with enrollment over 10,000 and in public institutions than in private schools or schools with enrollment under 1,000. The same holds true for the positions of placement director, director of counseling, dean of students, assistant academic dean and director of financial aid. Categories such as president, director of development, college physician and business manager show little differential among institutions, despite size or type, except at the women's colleges, where women do hold many positions of responsibility.

Further evidence of the lack of utilization of women power in college administration is seen in the answers to an open-ended question which asked for a list of all positions in the administrative staff for which qualified women are generally sought. Only 19 percent of the schools indicated that they specifically seek "qualified persons, regardless of sex, except for Dean of Men and Dean of Women" and another nine percent answered generally "any position." The 454 schools in the survey listed only 427 such positions, an average of less than one position per school. Table 10B shows the distribution of responses in ten categories including all positions listed at least two percent or more. Again, there appear to be broader opportunities in women's colleges, fewer in large universities.

D. FACULTY WOMEN

Nationally, women comprise about 22 percent of faculty at all ranks in higher education in the United States (4). Percentage of women decreases, however, as rank increases, with less than nine percent holding the rank of full professor (10). They are particularly absent at some of the "prestige" institutions and often are employed in non-tenured teaching positions.

TABLE 10A.—WOMEN IN COLLEGE ADMINISTRATION[1] (1967–70)

	Total group (454)			Coed schools (376)			Women's colleges only (59)			Schools over 10,000 (63)			Schools under 1,000[2] (53)			Public schools (189)			Private schools[2] (207)		
	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses	Men 3 yrs. (percent)	Women 2–3 yrs. (percent)	Total responses
President	88	11	441	95	5	366	50	47	56	100	--------	58	87	13	53	97	3	184	92	8	200
Vice president	93	4	290	97	2	246	69	17	29	100	--------	55	85	8	26	98	--------	123	94	4	138
Director of development	95	4	381	97	2	314	86	6	50	98	--------	52	98	3	47	96	1	140	97	3	189
Business manager	90	9	437	93	5	362	66	32	56	98	2	58	92	4	53	97	1	180	90	9	200
College physician	82	8	397	82	7	325	82	13	55	68	10	60	95	5	42	80	9	162	83	7	179
Director financial aid	70	23	440	79	15	364	21	67	57	85	12	61	61	32	51	84	9	183	71	23	201
Director placement	64	28	429	72	21	355	22	73	55	80	10	59	59	33	49	80	14	179	62	30	196
Director counseling	76	19	319	82	13	273	30	67	30	92	5	61	61	32	28	88	9	150	73	20	138
Dean of students	71	23	419	82	12	343	12	83	57	86	5	57	70	26	50	85	9	174	76	18	189
Head librarian	57	35	445	63	29	368	23	61	57	85	8	61	36	62	53	69	22	184	56	37	204
Academic dean	69	18	432	76	10	359	31	62	55	50	17	60	77	15	52	74	8	178	76	14	198
Associate or assistant academic dean	68	17	261	74	12	223	32	44	25	63	12	60	67	20	15	73	11	121	72	16	116
College counselor	36	25	318	38	17	265	27	51	41	18	16	49	58	26	31	35	19	140	39	22	139

[1] To provide a clear picture of women's participation, instances are tabulated in which women held these offices at least ⅔ of the time during 1967–70. Instances of incumbency for 1 year only are not shown.

[2] Exclusive of women's colleges.

TABLE 10B.—ADMINISTRATIVE POSITIONS FOR WHICH QUALIFIED WOMEN ARE SOUGHT [1]

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000 [2] (53)		Public schools (189)		Private schools [2] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
Qualified persons regardless of sex, except deans of men and women	19	427	19	347	17	53	17	64	13	38	22	184	16	186
Women's counselor	10		10		6		8		8		10		11	
Associate dean of students	10		11		6		5		21		11		11	
Any position at all	9		8		17		2		13		7		9	
Dean of nursing	8		9		2		16				12		5	
Dean of students	5		2		23		5		8		2		3	
Dean of home economics	5		6				14		3		9		2	
Registrar	4		5						8		1		8	
Director of admissions	3		2		8		3				3		2	
Librarian	3		3		4				5		3		3	
Director of placement	2		3		2		2				3		2	
Assistant to dean	2		2		2		5		3		2		2	

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[1] Percentages represent proportion of total positions listed.

[2] Exclusive of women's colleges.

1. Department heads:

It should be noted that 90 percent of the schools surveyed answered "yes" to the question "Our promotional policies are the same for men and women faculty." Data show, however, that women infrequently hold department chairmanships. Thirty-four of the schools in this study indicate no women as heads of academic departments, and the average number of women in such positions in all schools was 2.6 per school. When they are department chairmen, they are found primarily in the fields of home economics, physical education, English, languages, nursing and education. The opportunities in the women's colleges, however, are greater than in other schools, particularly in areas of the sciences, math, history and government and art. Table 11A gives all department categories mentioned two percent or more of the total listings.

2. Representation:

Women at 35 percent of the schools surveyed are said to be represented on almost all faculty committees and boards and in other schools women appear to participate in diversified activities of the faculty such as the University Senate, Faculty Council, Administrative Council, committees on academic standing, student life and curriculum. They are less likely to be represented on committees for guidance, scholarships, judicial problems, long range planning, institutional research, admissions, educational or advisory policy, or to be advisers to campus organizations.

3. Policies on maternal leave for faculty women:

Seventy-nine percent of the schools have an official policy on maternity leave. Fifty-eight percent indicate that the time for such leave is "adjusted as needed." Only six percent stated that two months or less is granted; the other 36 percent grant 3–18 months for maternity leave. Most of the institutions continue fringe benefits during this period and will rehire in the same position and salary without loss of seniority. The questions, however, did not explore the application of these policies to women faculty without tenure. (See Table 11B.)

TABLE 11A.—DEPARTMENTAL CHAIRMANSHIPS HELD BY FACULTY WOMEN[1]

Department	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000 [3] (53)		Public schools (189)		Private schools [2] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
None	3	[3] 1,217	4	[4] 913	----------	[5] 248	1	[6] 199	5	[7] 131	3	[8] 438	4	[7] 509
Home economics	13	----------	15	----------	6	----------	21	----------	8	----------	21	----------	10	----------
Physical education	9	----------	10	----------	7	----------	14	----------	6	----------	15	----------	7	----------
English, journalism, speech or theater arts	8	----------	8	----------	9	----------	4	----------	11	----------	8	----------	8	----------
Languages	8	----------	8	----------	10	----------	4	----------	12	----------	6	----------	11	----------
Nursing	8	----------	9	----------	4	----------	11	----------	5	----------	10	----------	7	----------
Education	6	----------	6	----------	6	----------	3	----------	7	----------	2	----------	7	----------
Business administration and economics	6	----------	6	----------	3	----------	4	----------	5	----------	7	----------	6	----------
Mathematics	4	----------	4	----------	6	----------	0	----------	8	----------	3	----------	5	----------
Fine arts, history of art	5	----------	4	----------	6	----------	1	----------	6	----------	4	----------	5	----------
Biology and earth science	4	----------	3	----------	9	----------	8	----------	3	----------	3	----------	3	----------
History, government, political science	4	----------	4	----------	6	----------	4	----------	2	----------	3	----------	4	----------
Physical science	4	----------	2	----------	7	----------	1	----------	4	----------	1	----------	4	----------
Sociology and anthropology	4	----------	3	----------	4	----------	2	----------	3	----------	2	----------	3	----------
Psychology	3	----------	3	----------	4	----------	9	----------	5	----------	3	----------	3	----------
Music	2	----------	3	----------	2	----------	1	----------	2	----------	2	----------		----------

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[1] Percentages represent proportion of total number of chairmanships listed.

[2] Exclusive of women's colleges.

[3] Or 2.6 per school.

[4] Or 2.4 per school.

[5] Or 4 per school.

[6] Or 3.1 per school.

[7] Or 2.5 per school.

[8] Or 2.25 per school.

TABLE 11B.—POLICIES ON MATERNITY LEAVE FOR FACULTY WOMEN

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
Have policy		430		356		54		58		52		178		198
Yes	79		81		67		81		77		82		78	
No	10		9		20		12		12		9		10	
No specific policy	11		10		13		7		11		9		12	
Period of time		308		262		31		45		34		137		139
Adjusted as needed	58		58		61		60		59		57		59	
2 months or less	6		5		10		4		12		4		5	
3 to 6 months	19		20		13		20		26		20		20	
2 semesters	3		3		3		0		0		2		4	
12 to 18 months	14		10		13		0		3		16		12	
Rehire in same position		310		265		30		41		34		141		138
Yes	93		93		93		93		94		94		92	
No	7		7		7		7		6		6		6	
Rehire in same level		294		251		27		39		34		136		130
Yes	97		97		96		95		100		97		97	
No	3		3		4		5		0		3		3	
Rehire at same salary		289		246		27		38		32		134		127
Yes	97		97		96		95		97		97		97	
No	3		3		4		5		3		3		3	
Rehire without loss of seniority		295		253		27		39		35		136		131
Yes	96		97		89		95		97		98		95	
No	4		3		11		5		3		2		5	
Continue fringe benefits		349		295		37		46		39		160		150
Yes	88		87		92		83		82		86		89	
No	12		13		8		17		18		14		11	

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[1] Exclusive of women's colleges.

E. POLICIES ON NEPOTISM

Almost 35 percent of the schools reporting indicate that they have specific policies against nepotism in hiring of faculty. Nepotism policies are most evident on campuses of large schools, least evident at private and women's colleges and small campuses (see Table 12). In general, they affect husband-wife, parent-child and siblings relationships in the same proportion, although fewer schools answered questions on the latter two than on the first.

ANTINEPOTISM REGULATIONS AT CORPORATE MEMBER INSTITUTIONS

[In percent]

	No limitation		Specific rules or flexible rules	
	1960	1970	1960	1970
Public schools	32.1	54.8	67.7	45.2
Private schools	71.0	72.7	28.8	27.3
Total	55.4	65.2	44.5	34.8

There was a definite indication that, where policies *are* in force, they are more prevalent for hiring a husband and wife in the same department than in different departments. There is evidence, also, of some flexibility in application, 38 percent stating that there are some departmental exceptions.

In comparing the findings of this survey with those done in the AAUW study by Dolan and Davis in 1960, (3) there appears to have been some liberalizing of nepotism regulations in the public institutions in the past 10 years, but little change in the private sector ,as the figures below indicate.

F. WOMEN TRUSTEES

We are hearing more and more about the appointment of women trustees in our colleges and universities but they still are not represented as fully as they should be in view of enrollment of women and number of alumnae, particularly at the large public universities. Twenty-one percent of the schools surveyed had no women trustees and the percentage in this category is much higher for institutions with over 10,000 enrollment (32 percent), public schools (26 percent), and coeducational schools (24 percent). (See Table 13.)

TABLE 12.—POLICIES ON NEPOTISM

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools[1] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
Have policy against		414		349		47		63		48		175		192
Yes	35		36		28		56		15		45		27	
No	65		64		72		44		86		55		73	
Husband-wife, same department 1968-69		330		279		37		44		39		143		149
Yes	58		59		46		77		38		62		56	
No	42		41		54		23		62		38		44	
Husband-wife, same department 1969-70		322		270		39		41		38		139		143
Yes	59		60		51		73		45		64		57	
No	41		40		49		27		55		36		43	
Husband-wife, different department 1968-69		359		305		39		50		48		153		166
Yes	88		90		69		94		79		95		85	
No	12		10		31		6		21		5		15	
Husband-wife, different department 1969-70		340		289		38		47		43		143		159
Yes	85		89		71		92		72		93		82	
No	15		11		29		8		28		7		18	
Parent-child		298		256		30		51		35		97		173
Yes	55		58		30		75		26		69		47	
No	45		42		70		25		74		31		53	
Siblings		294		252		30		47		36		136		120
Yes	53		56		23		75		25		68		45	
No	47		44		77		25		75		32		55	
Department exceptions		271		228		30		43		30		123		118
Yes	39		42		20		49		13		44		38	
No	61		58		80		51		87		56		62	

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[1] Exclusive of women's colleges.

TABLE 13.—WOMEN TRUSTEES

Question	Total group (454)		Coed schools (376)		Women's colleges (59)		Schools over 10,000 (63)		Schools under 1,000[1] (53)		Public schools (189)		Private schools[1] (207)	
	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent	Number of responses
None	21	438	24	365	4	53	32	60	21	53	26	184	22	201
1	25		29		2		42		11		41		17	
2	18		19		8		16		15		19		19	
3	10	(2)	11	(2)	7	(2)	6	(2)	13	(2)	7	(2)	13	(2)
4–5	10	2	9	2	13	7	2	1	24	3	4	1	15	2
6–9	10		6		38		0		10		2		10	
10 or more	6		2		28		2		6		1		4	

[1] Exclusive of women's colleges.

[2] Mode.

Twenty-five percent of the total sample have a token woman on the board, with the percentage of those having only one woman again shown as much higher at large public schools. Sixty-six percent of the women's colleges and 16 percent of the schools with under 1,000 students have six or more women trustees, but only two percent of schools with 10,000 or more students and three percent of the public institutions. The overall governance of an institution is obviously reflected in its policies. Does the lack of women in the top governing board have a relationship to the sum of the differentials among institutions which have been previously noted? This is an area meriting further research.

CHAPTER V.—SUMMARY AND RECOMMENDATIONS

Results of the survey add to the increasing accumulation of data that women do not have equal status with men in academe. At every level—student body, administration, faculty, and trustees—women are under-represented or placed in positions with little power in decision-making. This is particularly true in the large public institutions. When they are represented, it is more often in the smaller or women's colleges where there is a shortage of men and when they have special skills in specific areas which have sex stereotypes.

Opinion or policy does not always equate with fact—e.g. 90 percent of the schools state that their promotional policies are the same for men and women faculty, yet in 34 schools (all coeducational) there are no women department heads and the mean number of women department heads in all schools is less than three per institution. Ninety percent stated that they do include women in top-level administrative positions. Yet women administrators are seldom employed in positions involving critical decision making and are not actively recruited at higher levels. In this period of increased student involvement in campus governance, 43 percent indicated that women students are represented in proportionately *smaller* numbers than men on student-staff committees. Forty-six percent indicated that during the past year they had had *no* programs related to the special educational needs of women on campus.

The study was, of necessity, a very general one, attempting to define the extent of women's involvement on campus and to create an awareness of discrimination where it may exist. In view of the variation in total responses from question to question, it is possible that the picture is not as favorable to women as the percentages may indicate, at first glance, as the number of "no responses" may contain a large proportion of negative answers.

Results point to a number of unanswered questions, indicating need for further study in depth, such as, for example, on nepotism and maternity policies for faculty women.

The study illustrates in a *rather dramatic fashion the sex inequities* on American campuses and suggests many areas in which AAUW and is corporate member institutions might be involved in increasing utilization of women at all levels in academe. The major areas indicated for action *now* are:

(1) development of more opportunities for women students in genuine leadership positions and participation in campus grievance.

(2) development of better counseling and more programs specifically designed to meet the unique educational needs of women students, including the mature students.

(3) recruitment and employment of more women in administrative positions on campus and greater participation in high-level policy making.

(4) appointment or election of more trustees particularly in coeducational schools and the large public institutions.

(5) improvement in recruitment of women for faculty and in promotional policies for faculty women, and examination of institutional policies which may contribute to covert or overt discrimination.

(6) elimination of regulations against nepotism in hiring and adoption of clear policies of employment on the basis of merit and training.

(7) establishment of clear maternity policies for all faculty women.

Other areas not covered by the study but which should be examined are:

(1) the recruitment of women for graduate schools, necessitating a close look at how women are motivated and counseled in their undergraduate years.

(2) the incentives offered to women in the way of stipends for graduate study.

(3) quotas or limitations placed on admission of women to graduate schools.

(4) the employment of college women after graduation—breadth of opportunity, training, salaries.

The needs are clearly established. Courageous leadership is imperative in assisting women in higher education to realize their potential and to make their maximum contribution to the academic community.

APRIL 27, 1971.

WARD MOREHOUSE,
Director, University of the State of New York,
The State Education Department,
Albany, N.Y.

DEAR MR. MOREHOUSE: It is a disappointment that we shall be unable to hear your testimony. Existing higher education legislation expires on June 30, 1971. The Subcommittee will close its hearings within the next few days and proceed into executive session for the purpose of reporting out a bill.

Pursuant to your request of April 22, your written statement will be entered in the hearings record.

Sincerely,

EDITH GREEN.

THE UNIVERSITY OF THE STATE OF NEW YORK,
THE STATE EDUCATION DEPARTMENT,
Albany, N.Y., April 22, 1971.

Hon. Congresswoman EDITH GREEN,
Rayburn House Office Building,
Washington, D.C.

DEAR MRS. GREEN: I tried again, after our last appointment in late March had to be cancelled, to see you on the 22nd of April but learned you would be tied up all day in hearings.

I would have welcomed the opportunity to testify before you on higher education legislation related to international studies now being considered by your Subcommittee on Education, but understood that no slots were available. I would appreciate very much, therefore, your including the enclosed written statement in the record of the hearings on higher education legislation held by the Committee.

I will try once more the next time I am in Washington to see you about ethnic and intercultural studies programs about which we have been corresponding.

Sincerely,

WARD MOREHOUSE, *Director.*

Enclosure.

STATEMENT OF WARD MOREHOUSE, DIRECTOR, CENTER FOR INTERNATIONAL PROGRAMS AND COMPARATIVE STUDIES, STATE EDUCATION DEPARTMENT, UNIVERSITY OF THE STATE OF NEW YORK, AND PRESIDENT, NATIONAL COUNCIL OF ASSOCIATIONS FOR INTERNATIONAL STUDIES, SUBMITTED TO THE SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE, APRIL 20, 1971

THE IMPORTANCE OF ETHNIC STUDIES AND INTERCULTURAL UNDERSTANDING IN AMERICAN EDUCATION

My name is Ward Morehouse. I am Director of the Center for International Programs and Comparative Studies, State Education Department, University of the State of New York. I am also serving currently as President of the National Council of Associations for International Studies, an organization composed of a dozen regional associations of over 400 colleges from Vermont to Hawaii concerned with strengthening the international and intercultural dimensions of American education. I appreciate very much this opportunity to present my views in support of the bill entitled "The Ethnic Heritage Studies Centers Act of 1971" (S. 23) to the Senate Committee on Labor and Public Welfare.

The need for a legislative enactment such as the present bill should be readily apparent to all concerned Americans. Over the past decade, polarization of cultural and ethnic groups in the United States has surfaced as a major source of tension in our society, sometimes erupting into violence and often resulting in the breakdown of meaningful social relationships. This phenomenon involves not only Blacks, Puerto Ricans, and Mexican Americans, but also American Indians, Chinese Americans and various ethnic groups in our society from Eastern and Southern Europe as well as elsewhere in the world.

This polarization also exists on a world scale, involving not only cultural and racial differences within and between other nations and the United States but also growing disparities in personal income levels between the developed nations and the Third World of Asia, Africa, and Latin America. By the year 2000, the operative time frame for today's students who will then be assuming positions of adult responsibility in our society, four out of five human beings will live in the Third World. The *gap* in per capita income between, for example, the United States and India is expected to virtually double by that time. Whether we like to contemplate this future or not, North America, along with Europe and Japan, will have become, in a very real sense, a "golden Ghetto" in a vast worldwide slum of grinding poverty. Something must be done *now* to prepare today's students for this kind of future.

While I support strongly the basic provisions of this bill, I would like to suggest an important additional emphasis which I believe should be reflected in the language of the bill and in its implementation if it should become law. The statement of policy in the bill properly emphasizes the importance of providing students with "an opportunity to learn about the nature of their own cultural heritage" and also indicates that they should have an opportunity to "study the contributions of the cultural heritages of the ethnic groups of this nation," which presumably includes study of cultural heritages of ethnic groups other than the students' own. I believe that it is essential to give greater emphasis than does the present bill to the importance of understanding other cultural groups, not only within the nation but also within the world, and the relationships between different cultural groups.

To underscore this point, I recommend that the language of the bill be amended, wherever the context makes this appropriate, to include the phrase "and intercultural" between "ethnic" and "studies". I also urge that consideration be given to a revised statement of policy along the lines of the following, which I believe would incorporate all the essential features of Section 1201 of the present bill as well as the additional emphasis which I am advocating:

> The Congress hereby finds and declares that the United States of America is composed of peoples with ethnic and cultural backgrounds from Europe, Asia, Africa, the Pacific area, and Latin America, in addition to our indigenous Indian cultures; that a greater understanding of one's own heritage and those of one's fellow men will contribute to a more harmonious nation and world, and will enrich the quality of life in America; that future generations of Americans should be assured ample opportunity to develop to the fullest extent possible their knowledge and understanding of all ethnic and cultural groups in the United States and the world; and that it is therefore necessary and appropriate for the federal government to assist in the development of opportunities and resources for ethnic and intercultural studies and programs.

Intercultural relations are far too often consigned to a place of secondary importance in the curriculum. The study of man's relationship and responsibility to his fellow man, the concept of social justice, the value of cultural diversity—these ideas form the very foundation of human civilization. Thus we tend to take for granted their presence in our educational institutions. Unfortunately, such assumptions are totally unwarranted.

In 1968, the conferees attending a symposium on "Patterns of American Prejudice" at the University of California at Berkeley agreed that "virtually no one in educational institutions is trying—very much—to do anything about prejudice." It was recommended that "American public schools should grasp 'missed opportunities' to reduce racial and ethnic prejudices, despite the limitation of their powers to change the social system" ("Schools Urged to Attack Prejudice," *Education USA*, April 1, 1968, p. 169.)

A study released at the conference by Mr. Brewster Smith, Director of the Institute for Human Development at the University, found that children enter the eighth grade already furnished with prejudices—and they do not change greatly during their high school years. Teachers questioned in connection with the study were found to be generally unconcerned about the issue. These findings and many others underscored the fact that "Americans are failing to reduce prejudice even while we are trying to eliminate discrimination." (*Ibid.*) The tolerance of injustice and racism at home inevitably affects our relationship with other nations and their peoples. If we are to fulfill our larger responsibilities to the family of man, however, it is not enough to set our own house in order. For the principles of equality and justice which we espouse apply equally to men of all races, colors, creeds, and nationalities.

The Kerner Commission Report brought home to the nation a critical awareness, if not action, with its assertion that "our nation is moving toward two societies, one black, one white—separate and unequal." Let us hope that the tragic events surrounding our involvement in Viet Nam during the past decade will serve a similar purpose with regard to our understanding of supranational human rights and responsibilities. The 60's have been a decade in which we have become increasingly aware of the existence of social injustice; in the 70's, we must find ways to translate that awareness into constructive social action.

That our young people could profit greatly from better instruction in intercultural understanding is illustrated in a study entitled *Children's View of Foreign Peoples*. The authors of the study found that at the age of 6, children do not yet have any stereotypes about foreign peoples. By the age of 10, they have become aware of foreigners as people, and are particularly open to new ideas and information. The more the child knows about a particular country or people, the more friendly he is likely to feel toward them. The study indicates that the age period between 10 and 14 provides important opportunities for the development of openmindedness and friendliness toward other cultures. Yet children in this age group rarely mentioned their teachers as important sources of information. Rather they depend on television, movies, books and magazines. One review discussing the implications of this study, suggests that parents and teachers—

> must help children, from early childhood on, to understand that although there are many distinct peoples and cultures in the world, mankind is one; that although there are many distinct varieties of human behavior in the world, they all reflect social environments created by man in response to common basic needs and problems; that although there are various viable alternative solutions to these basic human problems, "other" ways of solving the common human problems are not necessarily unnatural or perverse. ("How Do National Stereotypes Originate in Children's Minds?" *Phi Delta Kappan, December*, 1967, p. 235.)

I should like to address myself to one other point concerning the language of S. 23. In the statement of policy in this bill, reference is made to "all students in elementary and secondary schools" while elsewhere in the bill (for example in Clause 1 of Section 1202 the language includes institutions of higher education as well as elementary and secondary schools. Formal education is a continuous process for the individual student experiencing it, even though we may divide it up into four and six year compartments for administrative convenience, and I believe, therefore, that the provisions of this bill should include institutions of elementary, secondary and higher education. A revised statement of policy along the lines I suggested above would help to remove ambiguity on this point; additional changes in language might also be incorporated elsewhere in the bill or in the Committee's report, as appropriate, to clarify congressional intent.

I believe that the present bill, amended along the lines I have suggested, would constitute a major piece of social legislation and a constructive innovation in public educational policy which would command widespread support not only from the educational community but also from all segments of our multi-cultural society.

Thank you for giving me this opportunity to submit my views on the importance of ethnic and intercultural studies in American education.

STATEMENT OF ROBERT R. MARTIN, PRESIDENT, EASTERN KENTUCKY UNIVERSITY, RICHMOND, KY.

My name is Robert R. Martin and I am president of Eastern Kentucky University. It is a pleasure to share with you, madame chairman, and members of the Committee, my views and observations related to higher education legislation that is pending before your subcommittee. My remarks, in particular, are from the perspective of an administrator of a regional university that enrolled over 9600 on-campus students this past fall, and whose student body is comprised of a large percentage of low income students from the rural areas of Appalachian Kentucky. While I have categorized my comments on the basis of selected programs that are particularly pertinent to Eastern Kentucky University, I would generalize by stating that existing programs, with few exceptions, have worked quite well, are focused on important needs, and should be reauthorized with little change.

INSTITUTIONAL SUPPORT

It is quite obvious that the time has come for the federal government to assume a measure of responsibility for sharing in the operational costs of institutions of higher education. Equity suggests that federal assistance bear some relationship to the cost of instruction, and the formula provided in H.R. 7248 reflects a consideration of both F.T.E. enrollments and levels of instruction. The formula appears to be both fair and simple. I would urge that the formula for distribution of federal funds be kept uncluttered and that it be straight forward in its application. There will be time, in the future, to assess and to take into account the fact that certain instructional programs, such as nursing, are more expensive to maintain than most other undergraduate programs. A basic formula may be, in the years ahead, embellished and refined on the basis of experience. This is not the time to consider such refinements.

I am pleased that the formula is based on credits completed, rather than credit hour enrollments. In addition, the maintenance of efforts required by H.R. 7248 is absolutely essential in the financing of operational costs for higher education.

Higher education has faced crises in the past, but it is doubtful that these have been as complex or as forboding as what we face in the present and immediate future. Expanding enrollments, demands for new and important services, and inflationary costs present an alarming picture. Unless we would curtail enrollments or greatly increase student fees, either of which would functionally deny the opportunities for higher education for many children from low income families, we must have at our disposal additional operating revenue to meet the increasing costs of maintaining institutions of higher education. You are to be commended, madame chairman, for facing this problem in a very direct and positive manner, and in proposing a solution that has received widespread acceptance among the higher education communities.

STUDENT AID

The institution which I represent, while classified as a medium size, multiple purpose university, is, in another sense, an opportunity school. When we hold graduation exercises on May 9, and students receive their diplomas, it might well astonish the members of this subcommittee to know that large numbers of these will represent the ***first*** members of their families to receive diplomas from an institution of higher education. They are proud, and they are grateful. And without the financial aid programs provided by the federal government, many of them would not have enrolled, or been able to see their way through a college education. Over fifty percent of our full time students receive some form of financial assistance.

I believe that Economic Opportunity Grants, National Defense Student Loans, and Work-Study Programs should be extended as identifiable programs. While the chairman has provided for maximum flexibility in transferring EOG and Work Study funds to meet the needs of students enrolled at a particular institution, I would suggest that authority to transfer 20 to 25 percent of the funds between programs will be adequate. I am particularly impressed with the chairman's recognition of the need to provide assistance to part-time students.

I believe that a student financial aids officer, with a need analysis system approved by the appropriate agency, is in the best possible position to assess the kinds and levels of assistance required for a student to attend his institution. I am opposed to any type of "national standard" that cannot possibly be accurately attuned to the complex variables with which the financial aids officer must deal as he works with each individual student. It is essential, of course, that funds be distributed to institutions on the basis of need, and that forward funding become a reality.

It seems to me that NDSL loans are essential if we are to meet the financial needs of a substantial number of students. I agree that the forgiveness features of the program need careful examination and should probably be restricted to teachers whose fields are critical and who are employed in school districts that enroll a high proportion of low income students.

The Guaranteed Loan program, because NDSL appropriations have always been less than adequate, continues to be a necessary feature of the financial aid program. Interest subsidies, however, should be clearly restricted and based on evidence of genuine need.

ACADEMIC FACILITIES

On June 30, 1970, I completed my tenth year of service as president of Eastern Kentucky University. Enrollments more than tripled during this decade, the faculty expanded from 126 to 460 with the percentage holding the doctorate increasing from 23 to 40 percent. We offered 26 degree programs at the beginning of my period of service; ten years later these programs number 137.

The brief summary of developments over the past decade at Eastern Kentucky University provides, I think, a proper framework for assessing the pressing need for extending the federal direct grant and loan programs for the construction of academic facilities, and the continued provision of interest subsidies for loans obtained in the private sector. Simply put, had the federal government failed, through oversight or intent, to assist institutions in providing academic facilities, the growth and development patterns over the past decade would have been drastically different. But the federal government responded, and colleges and universities, in the 1960's, pressed forward to accommodate the mounting number of students, many from low income families, who sought a higher education. The academic facilities constructed with the aid of the federal government were essential in meeting these demands.

We must recognize, in spite of the dramatic progress made in the 1960's, that the need for federal assistance in the construction of academic facilities has not diminished. It has been estimated by the U.S. Office of Education, for example, that college and university enrollments will increase by 3.2 million students during the period 1969–1977. In addition, we must not discount the need, at many institutions, to renovate older academic facilities, and to convert some of these to better serve new programs.

I would urge, therefore, that the direct grant and loan programs, and the interest subsidy provisions be extended with authorizations at levels that are realistic in terms of the demonstrated needs of institutions of higher education.

DEVELOPING AND STRENGTHENING PROGRAMS FOR THE EDUCATION OF TEACHERS AND RELATED PERSONNEL

The amendments to Sec. 531(b) and Sec. 531(c) contained in H.R. 32, H.R. 5191, and H.R. 7248 have a common thrust—to provide support for a variety of activities related to the development, expansion, and improvement of undergraduate programs for preparing educational personnel, and to encourage consortia in such efforts. I strongly endorse the intent of these amendments, but I must be bluntly honest with you in my reservations regarding their implementation. I am fearful that most of the funds related to these amendments will be directed to massive and expensive studies the results of which, at least in theory, will filter down to institutions such as the one I represent. I realize the necessity for large and long-range studies, but I do not agree that this is the only way, nor necessarily the best way, to bring about the improvement of undergraduate teacher education programs. What should be done, I submit, is to assist as many institutions as possible, through *modest grants*, to chart courses of action that will lead to improvement at *those* institutions. The National Science Foundation, through the College Science Improvement Program, uses such an approach in encouraging institutions to improve undergraduate education in the sciences. This program has assisted a large number of institutions in revising and upgrading undergraduate science programs. I believe that the same approach should be used in implementing the intent of these amendments to improve the quality of undergraduate teacher education programs.

PART E—AMENDMENTS TO PART E PROGRAMS OF TRAINING FOR HIGHER EDUCATION PERSONNEL/EXTENSION OF HIGHER EDUCATION PERSONNEL DEVELOPMENT

I strongly endorse the extension of Part E, Section 543, particularly as provided for in H.R. 32 and H.R. 7248. While it is a matter of fact that supply has caught up with the demands, at least temporarily, for college teachers in certain disciplines, it is not commonly enough known that there are higher education disciplines where shortages are acute. It is public knowledge that there is a critical shortage of registered nurses, but to attack this shortage requires more nursing faculty members prepared at the Master's level. Part E has and continues to support such programs of preparing nursing faculty members. Junior colleges, senior colleges, and universities have greatly expanded law enforcement instructional programs in recent years. Where do they secure competent faculties? Experienced and university educated faculty members are in short supply. Through Part E, we are present preparing on our campus eighteen such faculty members at the graduate level who will become teachers in junior and senior college law enforcement programs. Almost without exception, all of these have had practical work experience as policemen or corrections officers. Part E, in my judgment, should be extended, with careful attention given to relating funds to programs where personnel needs are still critical.

UPWARD BOUND—TALENT SEARCH—SPECIAL SERVICES

The evidence to date clearly indicates that Upward Bound has been remarkably successful in achieving its stated objectives. We have operated an Upward Bound program from the beginning and the percentage of those who complete the program and enter college is gratifying. This past year thirty-two of our Upward Bound students completed high school and twenty-nine of these entered college with twenty-eight enrolling at Eastern Kentucky University. This points out the soundness of this investment of the tax dollar. Although somewhat newer, Talent Search and Special Services both show great promise.

The Administration Bill provides for combining the three programs under a single Title. The rationale would appear to permit greater flexibility in allocating funds to programs and would suggest that an institution would file a single proposal rather than, as is the present case, three proposals. On the surface it would appear that this would also provide for a more effective and economical operation of such programs on campus.

H.R. 7248 provides for the continuation of the three programs and H.R. 32 provides for certain consolidation of these programs without Upward Bound, specifically, losing its identity.

I am sympathetic to the approach of the Administration Bill; it looks good on paper but it has the mechanism that could weaken, unless appropriations are adequate, a successful program such as Upward Bound. Past appropriations are not encouraging when one projects to the future. I would strongly oppose reducing the level of funds being used for supporting Upward Bound projects and transferring these funds to Talent Search or Special Services. The Administration Bill does not state that this will happen, but it would permit such a procedure. I do support increasing the appropriations for all three programs, and through judicious administration, achieve a level of program coordination that increases both quality and efficiency.

COLLEGE LIBRARY RESOURCES

The College Library Resource program has assisted a large number of institutions in improving essential library holdings. As institutions continue to improve existing programs and to develop new efforts, this program will not diminish in importance but will become even more central in enabling institutions to maintain quality libraries. It has been most discouraging, over the past two years, to witness the reduced appropriations for this program. I would strongly urge that this Title be extended with substantial authorizations.

COMMUNITY SERVICES AND CONTINUING EDUCATION

You have received, madame chairman, substantial testimony that builds a logical case for relating Title I programs and funds to the urban problems of our society. The partnership concept involving the marshalling of university resources to be joined with community efforts to focus on major urban problems is sound. In our concern for the cities, however, we often times overlook the problems faced by the small communities in rural America. The problems which the residents of these communities face are just as real, although perhaps of a different order, as those of our urban citizens. We must be emphatic in our encouragement to college and universities to join forces with communities, rural and urban, in improving conditions that affect the quality of life in those communities. The extension of Title I, with generous authorizations, will be positive action toward this goal.

INSTRUCTIONAL EQUIPMENT

Title VI of the Higher Education Act has had an effect on institutions of higher education that extends beyond the somewhat limited funds that have been made available. Instructional equipment must of necessity be updated and I would emphasize that this is a continuous process. I would hope that this Title is extended with a generous authorization.

COOPERATIVE EDUCATION PROGRAMS

I am pleased that both H.R. 32 and H.R. 7428 address, in a very direct manner, the need for continuing and encouraging the expansion of Cooperative Education Programs. H.R. 5191 approaches the matter obliquely, and the proposal that an institution might use a portion of its funds, allocated for administration of the work-study program, to promote cooperative education is wholly unsatisfactory. Increasing costs would force most institutions, I believe, to ignore this permissive option. Administrative funds, quite simply, are needed for adminisstrative costs.

It is regretful that appropriations for cooperative education, in the past, have been so modest that only a small percentage of proposals for support could be approved. I am told that currently the U.S. Office of Education has received proposals totaling 12.3 million but has only 1.6 million for funding purposes. The stimulus that would be provided institutions, if sufficient funds were available, would be significant. Institutions need to explore new and better ways of utilizing the abundant and rich resources in their communities in revising and developing new programs of study.

Meaningful work experience, as a built-in part of appropriate programs, has genuine merit. Higher education and its students need more of the reality factor that is implicit in cooperative education. The real world in which people go to work, regularly, at a prescribed time, perform defined duties and are held accountable for their actions, and follow the directions of supervisors is the type of sobering experience that cannot be learned from textbooks and classroom lectures. These experiences, *carefully linked and coordinated* to classroom instruction, can produce a graduate who can firmly place his feet on the ground when he enters the world of work, for he is no stranger to it. This represents a blending of theory, practice, and application that is highly desirable in many fields. Permit me to cite an example that will illustrate the point that I have been pressing. We are presently involved in a cooperative education project with the Pikeville, Kentucky, Model City Agency that has as its objective the recruitment and preparation of one hundred students from Pike County to become registered nurses. There are presently more medical doctors than registered nurses in Pikeville. A new hospital containing 200 beds, is almost ready for occupancy.

The students that we have recruited are primarily from low income families. We have modified our associate of arts registered nursing program and have extended it from two to three years to permit these students to gain work experience, either through alternating semesters of the summers, in Pikeville. The students benefit, not only from the supervised work experiences in the clinical facilities, but also from the income that they receive and need. Most of these students will return to Pikeville to practice as registered nurses and the employment oportunities in this field are exceptionally good. I am convinced that few of these students would have enrolled in our regular two-year nursing program. In fact many of those now on our campus, until we recruited them, regarded the possibility of attending college as something quite remote. When provided with an opportunity, however, to engage in both work and study—cooperative education—if you will, their responses have been positive. I am not arguing that cooperative education programs are of benefit only to low-income students; I am suggesting, however, that it does provide an excellent entry level into both education and the world of work for those students with extremely limited financial resources.

SUMMARY

My remarks, Madame Chairman and members of the subcommittee, have emphasized, if I have been successful in communicating my thoughts, the necessity for federal assistance to higher education in the areas of 1) operational costs, 2) academic facilities, and 3) student aid. Your subcommittee is to be commended for its concerted effort in holding extensive hearings in order that you may be apprised of the problems and priorities as we see them. I appreciate very much the opportunity that you have provided in permitting me to share with the members of the subcommittee those concerns that I have regarding the extension of higher education legislation.

MARCH 22, 1971.

Hon. DAN KUYKENDALL,
Longworth Building,
Washington, D.C.

DEAR MR. KUYKENDALL: The statement which you provided with your letter of March 5 will be inserted in the hearings record of the Special Subcommittee on Education. Your support of the waiver of matching requirements in the work-study program is noted.

Sincerely,

EDITH GREEN.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 5, 1971.

Hon. EDITH GREEN,
Member of Congress,
Rayburn House Office Building,

DEAR MRS. GREEN: Please find enclosed a copy of a statement I am submitting to the official record of the proceedings of the House Special Education Subcommittee considering HR 5191, the Higher Education Opportunities Act of 1971.

With kindest regards, I am,

Sincerely,

DAN KUYKENDALL,
Member of Congress.

STATEMENT OF HON. DAN KUYKENDALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

The purpose of this statement is to express my interest in, and support for Subsection (b) of Section 414 of the Higher Education Opportunity Act presently before your Subcommittee. This subsection would enable the Commissioner of Education to waive the 20% matching grant requirement for the College Work-Study Program in those instances where an institution has more than 50% of its students from low income families. Over the past few years the College Work-Study Program has done much to assist poorer students across the country realize the goal of a college education, however, as our institutions of higher learning are feeling the pinch of rising costs, many schools are finding it increasing difficult to match federal funds on the 1:4 basis as required by the present law. By giving the Commissioner of Education the discretion of waiving this matching requirement in certain well-justified instances, I think the Congress would be doing a great service to our nation.

My interest in this particular problem arose from the fact that LeMoyne-Owen College, a relatively small, private, and mostly black institution in my district has found itself in financial difficulty and will be hard pressed to take full advantage of the Work-Study Program due to the 20% matching requirement. If this new subsection is not included in the new higher education law, LeMoyne-Owen and many other small institutions like it might lose a number of their students because of an inability to provide this type of aid. We cannot let this happen.

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., June 15, 1971.

Hon. EDITH GREEN,
Chairman, Special Education Subcommittee, Education and Labor Committee, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: The National Chamber appreciates this opportunity to present our views to your subcommittee as it develops a legislative program designed to assist colleges and universities in a period of financial stress.

The business community, as you know, has long been an advocate and supporter of higher education. Indeed, estimates are that business support for higher education increased from $150 million in 1949 to over $375 million in 1969.

We have reviewed a number of higher education bills, specifically H.R. 32, by Representative Perkins; H.R. 5191, H.R. 5192, and H.R. 5193, by Representative Quie; and H.R. 7248, your own bill.

This review prompts, first, some general observations.

Although some people contend the current problems in higher education are entirely financial, the National Chamber believes that the financial problems of colleges and universities are symptomatic of deep-seated conditions, the cure for which is not massive doses of financial antibiotics, however ingeniously applied.

This, of course, does not deny that there is a fiscal problem in higher education. However, it does suggest a need for serious reforms, as well as financial aid.

Unfortunately, most of the proposed bills make little provision for educational reform—reform which most thoughtful people, in and out of the profession, believe is critically needed. And the reforms that have been advanced are scant in details. We think programs and incentives for reform in higher education should receive high priority.

All of the bills seem to assume that virtually everyone should go to college. We think this is a highly questionable assumption. The dropout rate among college students, the incidence of drug use among college students, and other symptoms of disaffection among the young indicate there is something disturbingly out of joint in the notion that more and more young people should be encouraged—and even coerced—into going to college.

This in no way argues against development of relevant post-secondary education programs as enunciated by you, Representatives Quie, and Pucinski, Senator Javits, and others on several occasions. The renewed interest in career or occupational education is clearly a step in the right direction. But *college has been oversold.* We have diluted the *quality* of higher education by confusing higher education with *more* education.

Much of the fiscal difficulty incurred by colleges and universities is due in large measure to the absence of cost-effectiveness thinking by college officials. The principal reason for this is that they have not been subjected to competitive pressures to develop more effective, relevant education for less money. The scorning of cost-effectiveness and reform in higher education is best illustrated by the demands for federal, "no strings attached" financial aid by higher education organizations. Clearly, *performance-based accountability* demands should be placed upon colleges and universities.

As for the legislation on which you are now working, we ask that you consider the following specific points:

Institutional aid: Institutional aid should not be unrestricted, but should be tied to conditions for reform and accountability. Higher education institutions should be encouraged to apply the principles of cost accounting to their operations. Certainly, institutions seeking aid should demonstrate they are operating as efficiently as possible. Taxpayers should not be asked to subsidize low productivity in the colleges.

Student grants: The National Chamber supports student assistance through loans and other means, but it does not favor federal student assistance grants, to "guarantee" higher education.

Guaranteed higher education will dull initiative and ambition, and eliminate the necessity for commitment or sacrifice. It will destroy what is currently, to some degree, a natural selection process which assures that the strongly motivated student will seek higher education.

College and university *tuitions should be adjusted* to levels more commensurate with the *actual costs* of providing such education. Tuition rebates or other desirable forms of assistance should be available, as alternatives to federal grants, to qualified students with limited financial resources.

Loans: More opportunities should be provided for students to secure low interest loans. It is essential in setting up such programs that banking associations be consulted. Use of private lending institutions should be encouraged.

Work Study: We suport your emphasis on self-help, Madam Chairman. This is an area that has been too long neglected. Programs of social services, which many of our youth are requesting, could be expanded, providing both remuneration for students and benefits to society. Aimlessness in our young is, unfortunately, far too prevalent. There is nothing wrong in working for an education; it is wrong, however, to foreclose opportunities for higher education for motivated young people.

Planning grants for community colleges: Support should be given to states to assist them in planning for the establishment of community colleges with adequate provision for occupational programs.

We recognize the many complexities inherent in higher education legislation. The action of the 92nd Congress will set the course, not only for the life of the Act, but for a generation. The choice is whether we will have dry-well legislation which puts precious resources into programs in sore need of reform—or whether we will seize upon the current crisis in education to develop new directions.

We will appreciate your consideration of these recommendations and we request that this letter be made a part of the hearing record on this legislation.

Cordially,

HILTON DAVIS,
General Manager, Legislative Action.

BOISE STATE COLLEGE,
Boise, Idaho, August 17, 1971.

Hon. LEN B. JORDAN,
Senator, State of Idaho,
U.S. Senate Building, Washington, D.C.

DEAR LEN: As President of one of the West's most rapidly developing institutions, I have observed with growing concern the proposals for changes and refinement of Federal Student Aid programs. Last week's Senate action and developments in the House of Representatives are being observed with great interest.

Last year the Administration promised Financial Aid Officers that 1-1 of Part E of the Application for Federal Financial Aid (FY-72) would *not* be used as the basis for funding Federal Student Financial Aids, but the *Administration proceeded to break their promise and actually did use 1-1 for the fiscal year '72.* As a matter of fact, such promises were made by James Moore, Director of Student Financial Aid, at a meeting of the Rocky Mountain Association in Denver, October 14 and 15, 1970 and also at the St. Louis meeting. Then again in Denver, August, 1970, before the National Council of Student Financial Aid Officers. This method of distribution of funds is based on a false assumption that the *lower* the family income, the *greater* the need. We must eliminate the income break and continue to improve procedures of individual student analysis. This group is already eligible for and is receiving a variety of aid from such sources as ADC, Social Security, Children of Veterans, MDT, Vocational Rehabilitation, and WIN. One-one (1-1) has proved to be unfair and inequitable, and I recommend (A) that 1-1 should be discontinued as the basis for funding Federal Financial Aids Programs.

Referring to the Senator Pell's bill, the forward funding it provides will be a boon to every participatng institution if it will move the fiscal year award official allocation to a late spring date.

Promises for several years have been made by the Director of Student Financial Aid in Washington that the Fiscal Operations Report will be simplified; and yet, it becomes longer and more burdensome each year. The attached application was developed by Region VIII. It is recognized that there are two minor amendments to legislation that would be necessary to implement this simple application; however, it is strongly believed that both of these modifications or amendments would prove to be advantageous to all concerned. The current

Legislation should be amended to provide for: 1. No matching of Federal Financial Aids Awards or, 2. Ten percent matching of Federal Financial Aids Awards for all three programs.

Therefore, I recommend (B) that the enclosed simplified application be implemented for ***Fiscal year '73*** and that the current legislation be amended to provide for equal matching of the three Financial Aids Programs or the elimination of the matching requirement.

The information required in the fiscal operation report is both difficult to obtain and a duplication of the same information already received over a period of several years. Therefore, I recommend (C) that the fiscal operations report be modified by ***elimination*** of all information that does not provide new significant data about each of the three programs and I recommend (D) that it be reduced to not more than one page.

The Financial Aids Officer has long needed and often requested flexibility in the use of the funds that have been allocated to his institution. The Student Financial Aids Officer ***needs to transfer money*** from one fund to another in order to better meet some local situations. If our recommendations in paragraph 3 were to become reality, the Financial Aids Officer could then ***transfer*** from one fund to another since the institutional and federal shares would be in equal proportions in every fund. We do ***not*** believe that the Financial Aids Officer should have complete authority to transfer funds as he sees fit, but we do believe and recommend (E) that the Financial Aids Officer should be ***required*** to use ***at least*** 25 percent of his total Student Financial Aid Grant for each of the three standard student financial aid programs; NDEA Loans, College Work-Study, and Educational Opportunity Grants. The other 25 percent of his total funds would be available to the Financial Aids Officer for ***any*** of the above ***three programs as may be consistent with the institution's philosophy and to more nearly reflect the needs of a particular student.***

CWSP 25 percent, NDSL 25 percent, EOG 25 percent, Flexible 25 percent.

Since the beginning of the Federal Financial Aids Program, and particularly since the Higher Education Act of 1965, there has been a need to have authority in each of the regions to permit the transfer of funds from one institution to another in order to get better utilization of the appropriated monies. It has been quite discouraging for one institution to receive more money than it can spend and another institution, sometimes not too far away, to desperately need additional funds in order to meet student needs. Therefore, I recommend (F) that the ***Regional Director*** of Higher Education be authorized to transfer funds between institutions when ***both institutions agree*** to such a transfer. The proposed new Regional Advisory Committee could be effective with its recommendations to the Director.

At the present time there are several federal financial aids programs, each designed to provide financial aid to those individuals pursuing certain academic goals on institutional campuses. Such programs are LEEP, Nursing Loan and Scholarship, Medical Loans, as well as the tripartite NDEA, CW-SP, and EOG programs. Each require a separate application to a different unit in Washington and each require a separate report and separate accountability when, in essence, each are designed to help students who need financial aid in order to remain in school. Therefore, I recommend (G) that all federal financial aids to students be consolidated ***under a single agency;*** namely, the Office of Education, and that one simplified application, (see second paragraph of this letter), be used for all Federal Student Financial Aids, and that one simplified operations report be substituted for the various reports required today.

Opportunity for Student Financial Aids Officers to receive formal training in their assigned duties is practically nil on college campuses, except for such programs as the institutes or short-term training courses that are provided for under Part E, Title V, of the Education Profession Development Act. (Two of our staff participated in one of these short-term student financial aid workshops last year.) It is a pressing necessity for Financial Aids Officers to have additional opportunities of this nature to adequately perform the functions assigned them on each campus. Guidelines for Educational Professional Development Act proopsals should be made in the hands of the institutions at least 90 days in advance of submission deadlines. I, therefore, recommend (H) that additional Student Financial Aids Institutes or short-term training courses be encouraged, authorized and funded in order that all Financial Aids Officers, at whatever level of experience they may be, may benefit by such institutes or workshops.

Since the beginning of the NDEA Program, institutions have been held responsible for the collection of the NDEA Loans made to qualified students. Institutions of higher education have not become, nor should they become, *professional* collection agencies. Although many institutions of higher education have exercised *due diligence* in regard to this responsibility, there are nevertheless, a number of long overdue delinquent accounts on each college campus. Somehow a provision must be made that will enable an institution to be relieved of certain *hard-core delinquency cases* where the institution has evidence of its exercise of due diligence without success. Therefore, I recommend (I) that institutions be authorized to turn such accounts as described above over to the Federal Government for whatever further collection action may be appropriate, and that these accounts be *eliminated* from the institution's record once the necessary information is turned over to the Federal Government.

I appreciate the opportunity provided our college to nominate knowledgeable members of our staff for consideration to serve on the Regional Advisory Council. This regionalization concept to study the need of our disadvantaged will provide the Regional Director better feedback. For that reason, I recommend (J) that the Regional Panel that reviews Student Financial Aid applications satisfy all differences between the Panel and the Institution and that the Panel's *recommendation be final* and only subject to *modification* because of limited funds. A National Review Panel for regional appeals is not necessary or desirable. Therefore, I recommend (K) that the *National Review Panel* be discontinued.

Congress should discontinue the 10 percent teacher cancellation privileges of the NDEA loans, but retain the feature of 15 percent cancellation for schools on the Federal Register, and the present deferment or cancellation options for military service. Teachers should be able to determine in advance what schools can provide them teaching opportunities that qualify them for 15 percent cancellation.

We believe the Loyalty Oath should be retained and incorporated into the student's original application, properly notarized.

This is a long letter to you, but I feel a most important one. I appreciate your consideration.

Cordially,

JOHN B. BARNES,
President.

STUDENT FINANCIAL AID APPLICATION - FY 1973

Vendor Number

Institution Address Zip Code

F.Y. ENDING 6/30/72

1. Fall, 1971 - Full-Time Enrollment. . . . . ______
2. Number of Full-Time Students Eligible for Student Financial Aid Based on NEED. . . . . . . ______
3. Number of Full-Time Students Provided Student Financial Aid . . . . ______
4. Average Award from Federal Sources per Student . . . ______

FISC.YR.1973

5. Fall, 1972 - Anticipated Full-Time Enrollment . . . . ______
6. Anticipated Number of Full-Time Enrollment to be Eligible for Student Financial Aid Based On NEED . . ______

Vendor Number Institution Address

FISCAL YEAR ENDING JUNE 30, 1973

7. Anticipated Number of Full-Time Students To Be Provided Student Financial Aid . . . . . . ______

	TOTAL	AVERAGE PER STUDENT
8. Amount of Aid To Be Provided from All Sources Based On Need	(a) ______	(b) ______
9. Amount of #8 Provided From Institutional & Private Funds	(a) ______	(b) ______
10. Amount of #8 Provided From Federal Aid Programs Other Than EOG, CWSP, & NDSL	(a) ______	(b) ______
11. Funds Requested for EOG - CWSP - NDSL (Line 8 minus Lines 9 & 10)	(a) ______	(b) ______

FISCAL YEAR ENDING JUNE 30, 1973

SFA APPLICATION FISCAL YEAR 1973

(New Approach in handling institutional requests for funds for SFA Programs)

It is recognized that such an application would necessitate some statutory and regulatory changes. However, we would like to offer it as an attempt at simplifying our present application procedure.

This application is based on the premise that all three programs (College Work-Study, National Defense, and EOG) would have identical matching requirements, such as 10% institutional matching. It is also based on the idea that an institution would receive a single allocation of funds for all three programs, out of which it would be required to expend at least 25% of the award for each of the programs, with the remaining 25% to be discretionary in order to provide its financial aid package at a particular institution as determined by the student financial aid officer.

This application merely tries to identify a minimum of information as to the scope of financial aid demonstrated at that particular institution as well as other sources which are available in addition to the three college-based programs to meet this financial aid demand.

Lines 8, 9, 10, and 11 make up the heart of the application. It is envisioned that the eleven lines replace the entire application for fiscal year 1972. Line 2 on instruction would include all full-time students who had applied for and been found eligible for any type of student financial aid under the control of the institution. Line 3 is the number of students receiving aid from all sources under the control of the institution. Line 6 is then identical to line 2; the estimated number of students who will apply and be found eligible for financial aid during fiscal year 1973. Line 8 would again be the total of all funds awarded to students based on need analysis that are under the control of the institution regardless if they are institutional, private, or Federal. It is envisioned that line 9 would include the institution's matching share of the programs, as well as National Defense loan collections which are projected to be available for reloaning. Line 10 would include such things as nursing loan and scholarship, LEEP programs, guaranteed loan, etc. Line 11 would then be the institution's request for funds and panel action of such an application would be confined almost exclusively to this item.

One additional item which we would like to offer, which most of you may consider as heresy, would be that with implementation of such a simplified application, it would then be possible to utilize state associations of student financial aid officers as the initial reviewing board for applications each year and they would, in their best judgment, attempt to evaluate the reasonableness of the application. The regional review panel would then become the appellate group and the action of the regional panel would be final.

ENCYCLOPEDIA BRITANNICA,
Chicago, Ill., July 9, 1971.

Hon. EDITH GREEN,
Rayburn House Office Building,
Washington, D.C.

DEAR EDITH: I have recently been asked to serve in an advisory capacity to the central YMCA Community College in Chicago. This is a unique institution which for the last ten years has been concentrating its efforts on the very poor with commendable results.

I find that the College has not testified on the Higher Education Bills now pending before the Congress. I suggest that they prepare a statement which I would be pleased to forward to my former colleagues who serve on the Education Committees, for their consideration. Hence this letter.

I am enclosing the statement which I believe sets forth an important point of view. Ironically, the colleges which presently serve the greater part of the low income students are neither famous nor prestigious; they are neither well financed nor capable of a sophisticated public relations impact; they do not dominate the staid organizations of the educational establishment. Their alumni are not yet leaders in the land and few, if any, are members of the Congress.

There is danger in that the voice of those who know the real life score will not be heard at this time of revision of Federal higher education laws.

Incidentally, the Central YWCA Community College would be most pleased to have you or any of your professional staff or that of the Committee come to Chicago to look into the operation of the school in some depth. It is hard to appreciate the extent of the problems and the difficulty of coping with them without seeing a day-to-day, year-in-and year-out operation.

Sincerely,

THOMAS B. CURTIS,
Vice President and General Counsel.

STATEMENT BY THE CENTRAL YMCA COMMUNITY COLLEGE

We begin with the premise that education should enable each student to reach his full potential, and not only should this be an opportunity for every student, it is in the general welfare interests of the American society and productive economy that this right shall include all citizens. The Green bill in the House and the Williams bill in the Senate would guarantee that the very neediest persons in America will have the opportunity to participate in higher education for their own lives' enhancement and the improved well being of our society.

The Central YMCA Community College in Chicago has ten years of experience with 55% of its 4,200 students being from minority groups and/or the very poor from the inner city. The record is clear—this is an untapped source of man and brain power that in sheer justice as well as national survival we can not ignore in national policy. The record of this College is clear in proving the success potential of these students, given the opportunity in schools prepared to receive them and to up-grade their performance. Graduates from this Junior College enter the world of work for which they were previously unprepared, or they transfer to the upper divisions of four year colleges to which they were originally inadmissible by reasons of under preparation or inadequate credentials.

The sociology is known, but painful to admit, and hence often ignored. A milieu of poverty invariably includes minority group persons frequently residing in ghettos, includes the life situations povide limited private sector employment opportunities adaptable to school attendance requirements, includes a little possibility of any parental family support of the student (in fact, frequently the students necessarily contribute to family support) and includes a few legitimate opportunties for upward mobility except via the self-improvement of education. These would-be college students represent perhaps 10 to 20% of America's families and in cities such as Chicago, for example, they may represent 25 to 30% of the city's families. These human fiscal facts are obvious. We can no longer afford to ignore them.

The College Work-Study program as a necessary means of earning at least a very minimum livelihood and the Educational Opportunity Grants program as partial support toward educational direct costs, are essential companion pieces. The Green bill very properly provides for these programs to be administered by the colleges on a basis of individual need rather than on an arbitrary formula basis. The Green bill is very much in the spirit of the American ethic of the respectability of self-supporting work limited only by reasonable wage rates and the capacity and hours for work—and not limited by across the board arbitrary formulae.

Less than ten percent of the colleges and universities in the country have deliberately set about to include the very poor in any more than miniscule numbers. Only a few of these ten percent have instituted the necessary compensatory programs to up-grade these frequently under-prepared products of inferior schools—and most of these colleges are the Community Colleges. The Williams bill very wisely relates Federal institutional support to those colleges that go to the extra expense and effort of making education accessible to the poor and under prepared who have potential for personal achievement. In no other way are we likely to attack this problem.

Student loans, for the very poor, are not the answer. Heavy indebtedness for the very poor is at best impractical. It may be necessary as a last resort for the final stretch, but certainly not as a general and pre-planned method for those already denying themselves a decent diet, medical attention or clothes adequate for the change of seasons. Conceivably, a young couple, married after college, moving out of a vicious cycle of poverty by necessarily borrowing the maximum for four years of college, would start life with a $20,000 indebtedness and a burden of interest in addition. As many of the disadvantaged and under-prepared are, understandably, late to acquire the motivation to seek the opportunity for college and frequently are in their 20's or even 30's when they first enter college, they will still be saddled with their own educational debts when called upon to assist their children in college. In any case, a big debt is a poor substitute for the willingness to be employed to sustain a pay-as-you-go study program.

The President is right in stating that a youth from a $15,000 a year income family is more than five times as likely to attend college as a youth from a $3,000 a year income family. What is not recognized, however, is that the $3,000 a year family is supporting state or local higher educational systems via sales and other taxes of similiar effect and real estate taxes (via rents) to a vastly greater proportion of its income than is the $15,000 a year family. The Green bill and the Williams bill work to redress the injustice of that inequity and make the college opportunity at least somewhat more likely for youth from poverty level families.

These are not the sentiments of bleeding heart liberals. These are hard fact conclusions borne out by experience with thousands of poor who strive to work, earn, and pay a good part of their own way out of otherwise self perpetuating poverty and frustration.

We commend the authors and sponsors of the Green and Williams bill for recognizing the hard and sometimes unpleasant facts of life. We urge the adoption of a higher education bill embodying these principles so cogently contained in these two bills. Support of such a measure would, we are sincerely convinced, be an act of statemanship.

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